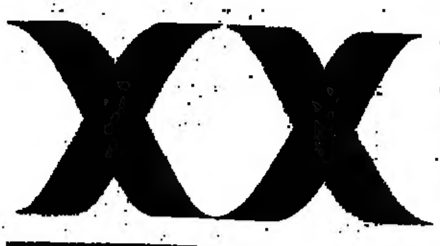
FINANCIAL TIMES



Heart disease

Chasing down genetic influences

Technology, Page 7

Brazil

Wavering on on free trade

Page 4

China

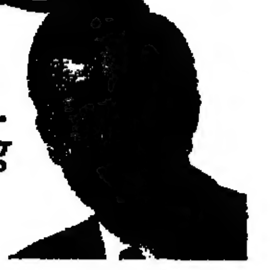
Growth choked by drought

Page 5

Stork

Maintaining Fokker

Page 15



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TUESDAY JULY 30 1996

English football team signs striker for record $23m

English team Newcastle United smashed the world football transfer record of £13m ($20.2m) – paid by Italy's AC Milan of Italy for Gianluigi Lentini in 1992 and Spain's Barcelona for Brazilian Ronaldo this summer – by acquiring England striker Alan Shearer from Blackburn Rovers for £15m ($23.4m). Page 6; Editorial Comment, Page 11; Lex, Page 12

Violence hits Indonesian stocks: The Jakarta stock exchange index closed at its lowest level for the year, and the rupiah dipped to a record low against the dollar, after a weekend of political violence in Indonesia that left two dead and resulted in millions of dollars of damage in the capital. Page 12; Intimations of mortality, Page 10

Mannesmann warns of Demag losses: German engineering and telecoms group, Mannesmann, said its biggest subsidiary, Demag, would report unspecified losses because of difficulties with a contract to build a steel plant in the US. Page 15

US insurer to sell hurricane bonds: The US's biggest direct marketer of home and auto insurance is attempting to sell about $500m in bonds on the US capital markets that would be tied to the company's losses from hurricanes. Page 12

Muzak, the 84-year-old company which bills itself as the leading purveyor of "business music" in the US, hopes to raise about $73m when it goes public on the Nasdaq Stock Exchange this week. Page 13

Strikes mark start of German sales: German retail sector employees striking over a pay claim attempted to disrupt yesterday's start of summer sales, the time of the year when department stores hope to boost turnover. Page 2

Lukashenko bans Belarus protests: Belarus President Alexander Lukashenko banned public demonstrations during the harvest season following increasingly united and vocal opposition to his authoritarism rule. Page 2

Turkey to rule on Kurd protection: Turkey is set to decide today whether to renew permission for a US-led air umbrella over the Kurdish areas of northern Iraq, set up after the Gulf war. Page 4

ICN ordered to cut drug's price: Canadian regulators have ordered California-based ICN Pharmaceuticals to cut the price of an anti-infection drug by almost 90 per cent. Page 3

Fears over semiconductor talks: Japanese prime minister Ryutaro Hashimoto sought to calm fears that last-minute efforts to settle a dispute with the US over trade in semiconductors might collapse, saying that failure to reach agreement would not jeopardise relations. Page 4

ASX calls for restructuring vote: The Australian Stock Exchange is to ask its stockbroker members to vote in October on a proposal to dramatically restructure the organisation of share trading in the country. Page 14; Lex, Page 12

Seoul reports record deficit: South Korea reported a record current account deficit of $9.29bn for the first half of 1996, an indication that it will exceed the government's recent estimate of a record $11bn-$12bn for the year. Page 5

Thai currency under pressure: Thailand denied that it planned to devalue the baht as it moved to hold the currency near the official mid-rate of 25.29 to the dollar after it came under heavy selling pressure. Page 5

Volcker may lead war money probe:

Former US federal reserve chairman, Paul Volcker (left), is expected to chair the international committee to investigate how much money due to Jewish holocaust victims is hidden in Swiss banks. The move follows growing concern that there is much more money in accounts opened between 1933 and 1946 than banks admit. Page 2; Questions from history, Page 10

Venezuelan officials in drugs raid: Venezuelan police said they had seized 1,100lb (500kg) of cocaine and arrested four former or serving Venezuelan government officials.

Cricket: England lost the first Test against Pakistan at Lord's in London by 164 runs, after their last nine wickets fell for just 75 runs. Pakistan scored 340 and 352, England 285 and 243.

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,487.14	(-5.92)
NASDAQ Composite	1,080.37	(+0.93)
Europe and Far East		
CAC40	1,961.10	(-1.78)
DAX	2,477.81	(+7.47)
FT-SE 100	3,678.8	(+5.5)
Nikkei	20,987.54	(-157.36)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Trees Bills: Yld	5.319%
Long Bond	86⅞
Yield	7.058%

■ OTHER RATES

UK: 3-mo Interbank	5¾%	(5¾%)
UK: 10 yr Gilt	97⅜	(97⅜)
France: 10 yr OAT	106.16	(106.29)
Germany: 10 yr Bund	98.87	(99.06)
Japan: 10 yr JGB	98.0678	(97.8978)

■ NORTH SEA OIL (Argus)

Brent Dated	$19.02	(18.93)

■ GOLD

New York: Comex		
(Aug)	$386.0	(385.7)
London:		
close	$384.5	(385.3)

■ DOLLAR

New York lunchtime		
£	1.55805	
DM	1.48075	
FFr	5.021	
SFr	1.2085	
Y	108.095	
London:		
£	1.558	(1.5552)
DM	1.4806	(1.4808)
FFr	5.0222	(5.0270)
SFr	1.2072	(1.2085)
Y	108.23	(108.275)

■ STERLING

DM	2.307	(2.3031)
Tokyo $ close:	Y 108.45	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils 650	Portugal (m'land)	Esc340	Turkey	L90,000
		Lebanon	LL3,000			UAE	Dh12.00

Clinton calls emergency terrorism summit

Investigators close to concluding bomb caused TWA crash

by Patti Waldmeir in Washington

President Bill Clinton yesterday summoned political and law enforcement officials to the White House for an emergency summit on fighting terrorism.

The move came as Federal Bureau of Investigation officials were understood to be close to a conclusion that the explosion which killed all 230 people aboard TWA 800 was caused by a bomb, possibly in a forward cargo hold of the aircraft.

"This has got to be a long, disciplined, concerted effort from the US. This is not going to be easy," Mr Clinton said as he welcomed the Senate and House leadership, plus the head of the FBI and the US attorney-general, Ms Janet Reno, to the White House for yesterday's anti-terrorism summit. The Congressional leaders yesterday promised new legislation on combatting terrorism following the TWA case and the bomb at the Atlanta Olympics last weekend.

President Clinton is seeking new powers to wiretap telephones suspected of being used by terrorists, as well as measures to "tag" explosives to make it easier to identify bomb-makers.

The administration was believed to be drawing up contingency plans for a US response to the TWA bombing, if it can be proved that the crash resulted from an act of state-sponsored terrorism.

But counter-terrorism experts cautioned that it is extremely difficult to verify state sponsorship of terrorist acts with the certainty necessary to justify retaliation by force.

They noted that the US had sought redress for the 1988 Pan Am 103 bombing through the courts, rather than resorting to military action.

But a White House official made clear yesterday that force would be an option in the TWA case, depending on whether it can be proven that a foreign state was involved, and which state that might be.

"We reserve the right to respond when US interests are threatened," the official said.

Officials are understood to be operating on the theory that an explosive device blew off part of the forward portion of the aeroplane, causing the Boeing 747 aircraft to break apart in mid-air.

The location of wreckage in two areas of ocean, more than a mile apart, has led officials to believe that the aeroplane's front end plunged into the ocean, while the rest of the aircraft continued to hurtle through the air.

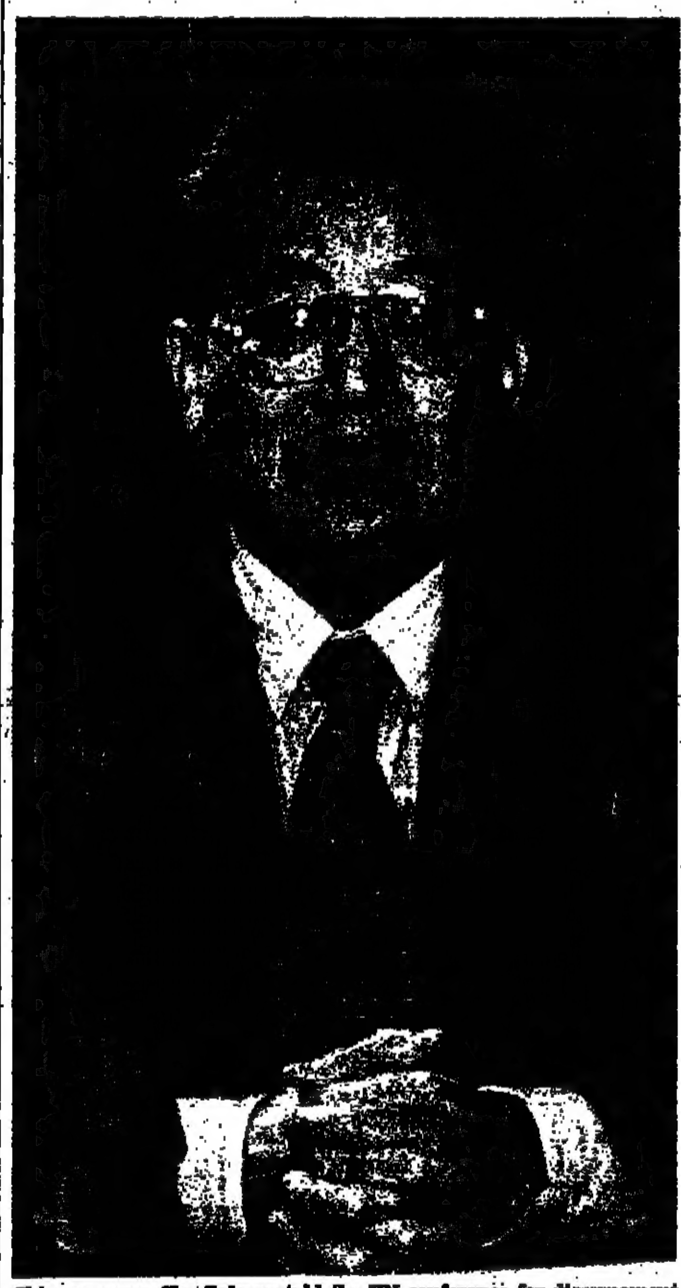
The US Navy reinforced its operations in the area yesterday, sending another salvage ship to help lift wreckage from the sea. Investigators are eager to examine a large piece of fuselage discovered at the weekend, which might hold clues to the crash.

They are also looking for a key piece of metal which could help prove the theory that a bomb was involved. They believe a piece of the aircraft's aluminium coating close to the explosion might reveal whether the metal was pierced from the inside (perhaps by a bomb), or the outside (possibly by a missile).

Mr Clinton said he was sending Ms Reno to Paris immediately after the summit for a meeting of ministers of the Group of Seven industrial countries and Russia, called to discuss terrorism.

Atlanta goes for gold, Page 3
Editorial Comment, Page 11

Diplomats welcome China's decision as talks on voluntary ban resume



Chinese envoy Sha Zukang told the UN conference for disarmament in Geneva of Beijing's plans to suspend nuclear tests Picture: Reuter

Beijing to suspend nuclear tests after latest explosion

By Tony Walker in Beijing and Frances Williams in Geneva

China yesterday announced a moratorium on further nuclear testing after conducting a final test explosion just hours before the resumption of talks in Geneva on a comprehensive test ban treaty.

Beijing's decision to join the voluntary testing moratorium already being observed by the other nuclear powers – the US, Russia, Britain and France – muted criticism of its latest test and was welcomed by diplomats in Geneva, where the test ban talks are at a delicate stage.

However, Chinese officials indicated yesterday that they may try to renegotiate some parts of the draft treaty. This has heightened fears that the text compiled by Mr Jaap Ramaker, chairman of the talks, last month could start to unravel.

Objections by China and India are seen as the most serious obstacles to concluding a treaty in time for its planned signature at the next United Nations general assembly in September. Mr Ramaker said yesterday there was "very little time" left, no more than a week or two, if that deadline was to be met.

Beijing is unhappy about aspects of the verification regime to check suspected treaty violations, in particular the provisions for authorising on-site inspections, which it wants to make more difficult.

Meanwhile, India yesterday repeated its threat to veto adoption of the pact by the 61-member United Nations disarmament conference. This is because it objects to the proposed requirement that India's ratification be a precondition for the treaty to enter into force. New Delhi has already demanded that the nuclear powers make a commitment to scrap their nuclear warheads within a fixed period.

Russia, China and Britain are adamant that India, Pakistan and Israel, the so-called threshold states which have or could quickly acquire nuclear weapons, must be members for the treaty to have value. This view is reflected in the current draft pact, which requires ratification by all eight nuclear and threshold states.

Mr Ramaker said yesterday that he was "generally encouraged" by the support expressed for his text. Most countries, including five of the eight – the US, Russia, France, Britain and Israel – have urged speedy acceptance of the draft text without further negotiation, despite their own reservations.

Western diplomats said China's position was crucial because, if it insisted on changes, other countries could do the same and the treaty might be lost. Four other non-aligned nations yesterday voiced dissatisfaction with the draft, mostly over its references to nuclear disarmament, but their concerns are seen as more easily met.

China's moratorium announcement appeared aimed at securing the diplomatic high ground for the Geneva talks.

China, like France, which ended testing earlier this year, had defied the US-sponsored moratorium, arguing that further tests were necessary to consolidate its nuclear capability. Regional states criticised the test, the 45th since China began testing in 1964, but also expressed satisfaction at the moratorium.

German state defies Brussels with grant aid to VW

By Judy Dempsey in Bonn and Neil Buckley in Brussels

The German state of Saxony has defied the European Commission by granting Volkswagen DM241m ($158m) in unauthorised state aid after the carmaker threatened to halt the development of two plants.

The challenge to the authority of the European Commission was described by Bonn as an "illegal act" and was expected to prompt a court challenge by Brussels. Yesterday, the Commission made no comment.

Mr Günter Rexrodt, the German economics minister, said Saxony's action was a clear breach of EU regulations. "It would have been more useful to continue the dialogue with the Commission instead of unilaterally and officially announcing the approval of the subsidies," Mr Rexrodt said.

The challenge arises from plans by Volkswagen to invest DM3.5bn in two car plants in Saxony in eastern Germany. The European Commission last month allowed DM539m of a proposed DM780m in aid, but Saxony officials confirmed yesterday that they would provide the entire amount.

The state government has already given DM142m of the difference and plans to pay the remainder next year. Saxony officials feared that if Volkswagen withdrew from the projects, the eastern region's economic ambitions would be set back seriously.

Mr Karel Van Miert, competition commissioner, had blocked the DM241m in assistance, in spite of opposition from the German government and the two German European commissioners, on the grounds that it could not all be justified to compensate for the problems of investing in eastern Germany.

Mr Van Miert added that part of the investment was not a greenfield project, and therefore did not qualify for the higher rates of aid permitted for such projects.

Saxony declared that it would challenge the Commission's ruling in the European Court, but Brussels also has the power to

Continued on Page 12

Allianz chief forecasts big changes in German banking

By Andrew Fisher in Munich

The chairman of Allianz, Europe's largest insurance group, has predicted far-reaching structural changes in Germany's banking industry.

Allianz, which is a major shareholder in many of the country's leading banks, was "watching very closely what happens in this sector", Mr Henning Schulte-Noelle said at the group's annual press conference yesterday. Mr Schulte-Noelle also said that Allianz would split its shares 10 for one and aim for a 15 per cent return on equity to meet the increased expectations of its own shareholders.

Speculation about the future shape of German banking has been stimulated by Deutsche Bank's recent disclosures that it had accumulated a 5.21 per cent stake in Bayerische Vereinsbank, as well as by expectations that Swiss and Dutch banks would attempt to expand their presence across Europe.

"There are a number of serious arguments stating that the German banking landscape will undergo considerable change in coming years," he said. "Other countries, such as the UK, have gone further than we have."

Allianz, whose bank shareholdings had a market value of DM8.5bn ($5.75bn) at the end of 1995, would watch to see how such developments would affect its own interests.

Allianz holds 23 per cent stakes in both Dresdner Bank and Bayerische Hypotheken-und Wechsel-Bank. It owns 15 per cent of BHF-Bank, which some see as a potential takeover candidate, as well as 5 per cent of Deutsche Bank and 12 per cent of IKB Deutsche Industriebank.

Mr Schulte-Noelle said Allianz did not intend to pursue "an industrial policy" in banking, suggesting that it might be willing to divest some of its holdings. But he pointed out that it had business alliances with Dresdner and Hypo Bank.

Mr Schulte-Noelle forecast that Allianz's pre-tax profits would rise by at least 10 per cent in 1996, though less sharply than last year's 34 per cent increase.

Allianz would need at least three years to reach its goal of 15 per cent return on equity, he added. In 1995, when Allianz benefited from tax write-offs, its net return was 11 per cent.

The integration of Vereinte, the German private health, casualty, property and life insurer, would add considerably to profitability. Allianz announced on Friday a deal with Munich Re, the German reinsurance group, allowing it to keep Vereinte without breaching competition rules. He hoped official approval for the deal would be obtained by the year-end.

The group intends to lighten its shares by cutting their denomination from DM50 to DM5. Next year, it will reveal its hidden reserves – the difference between the book value and market value of its securities and property investments.

Lex, Page 12

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Walkouts hit German retail sector

By Judy Dempsey in Bonn

Warning strikes yesterday by German retail sector employees in support of a pay claim marked the start of summer sales, the time of the year when department stores hope to boost turnover. The workers are demanding a 5 per cent pay increase and a 55 per cent rise in overtime when longer shopping hours are introduced later this year.

The short walkouts called by the Gewerkschaft Handel, Banken und Versicherungen (HBV), the trades, banking and insurance union, coincide with one of the longest periods of stagnation in the retailing sector caused largely by very low consumer spending and a sharp rise in unemployment over the past year.

Only a few large department stores were affected yesterday, as the union intends to build up its action over the next few weeks in an attempt to force employers back to the negotiating table. In one incident, the HBV said 300 workers at a department store in Kiel had walked out after local pay talks had broken down.

Mr Rüdiger Wolff, spokesman for the HBV, said the strikes would target the biggest department stores in the main towns and cities and would continue until the employers started serious negotiations.

He added that the HBV was determined to obtain for its members at least an extra DM1 ($0.67) per hour. Shop assistants make up 300,000 of the HBV's 500,000 members. They are among the country's lowest paid employees – their average pre-tax hourly rate is DM19.47, or DM3,173 a month.

Ms Margret Mönig-Raane, head of the HBV, said that in addition to a 5 per cent pay rise, the union would be seeking an overtime rate of 55 per cent more per hour during the weekdays and 40 per cent for Saturdays when longer shopping hours were introduced next November.

Germany's association of retailers said yesterday that the pay demands were unrealistic and would endanger jobs because small shops would not be able to afford the increases. Sales and profits were expected to show another round of disappointing results this year.

Mr Walter Deuss, president of the association representing the large department stores, last week issued a grim forecast, saying he expected sales in member stores to fall a nominal 1.78 per cent in the first half of this year from a year earlier, with sale of textiles set to decline 3 per cent.

Mr Deuss blamed the poor level of sales on low pay settlements in the community as a whole and the "unnecessary squabbling" over the government's DM50bn savings package which retailers believe will damp any expectations for a rise in consumer spending.

A report on the retailing sector by the Ifo economics institute last week said there was no sign of consumer spending recovering. It predicted that sales would grow by only 1 per cent in nominal terms this year, stagnating in real terms, and that employers would be seeking job cuts.

Volcker to lead holocaust cash hunt

By William Hall in Vienna

Mr Paul Volcker, former chairman of the US Federal Reserve, is expected to be appointed chairman of the international committee to investigate how much money due to victims of the Jewish holocaust is still hidden in Swiss bank vaults.

The appointment of one of the world's most respected central bankers comes amid growing concerns that there is much more money in dormant Swiss bank accounts opened between 1933 and 1946 than the Swiss banks admit.

During this period, many German Jews opened Swiss bank accounts to safeguard their wealth, fearful of the rise of Nazism. Many of the account holders died in the holocaust.

Mr Greville Janner, a British MP and chairman of the Holocaust Education Trust, released documents at the weekend indicating that allied governments were aware that the Nazis had deposited substantial amounts of looted gold in Swiss bank accounts.

Under an agreement dated May 25 1946 the allies agreed to waive further claims against the Swiss government and the Swiss National Bank in return for payment of $60m of gold to help pay for the reconstruction of Europe.

The Swiss banks argued they were helping to protect Jewish depositors, but many Jews suspect the Swiss banks collaborated with the Nazis.

The problem of identifying the Jewish account holders has been complicated because most of the money was deposited in numbered accounts whose ownership was known only to the people who died. Swiss banks have made attempts to clarify the situation over the years and have long argued that the sums involved are relatively small.

But recently the Swiss banks have become concerned that their desire to expand globally could be harmed by growing suspicion in the US and Israel that they have not been truthful about these accounts.

There had been fears that Jewish organisations might support a boycott of Swiss banks unless they made more efforts to co-operate in the search for money due to holocaust victims.

In May the Swiss bankers' association and leading Jewish organisations signed an agreement in an attempt to sort out once and for all how much money due to victims of the holocaust was hidden in Swiss banks. Progress has been delayed, partly because of uncertainty about membership of the seven-strong committee following the Israeli elections.

It has also taken longer than expected to find a chairman acceptable to both sides. Lord Howe, the former British foreign secretary and a noted lawyer, was one of several leading names canvassed.

Brussels castigates duty-free trade

By Neil Buckley in Brussels

Travel operators and the duty-free trade were sharply criticised by the European Commission yesterday for failing to enforce limits on duty-free purchases by travellers.

Brussels said it saw no case for extending duty-free concessions within the Union beyond 1999. It also rejected any increase in the value of VAT-free goods travellers can buy on journeys between EU member states from the present Ecu90 ($115). It took member states to task for not making adequate preparations for phasing out duty-free.

EU finance ministers voted unanimously in 1992 to end such concessions within the Union since they distorted the single market. They allowed a six-year transition period, to June 1999. They also asked the Commission to report on progress, and on whether there should be a further extension.

In a report accepted unanimously by commissioners, Mr Mario Monti, who is responsible for the single market, called the current situation "far from satisfactory" and rejected calls from the duty-free industry to preserve the Ecu4.8bn-a-year market. He said the duty-free trade "can produce distortions of competition not only regarding businesses selling tax-paid goods, but especially between different means of transport".

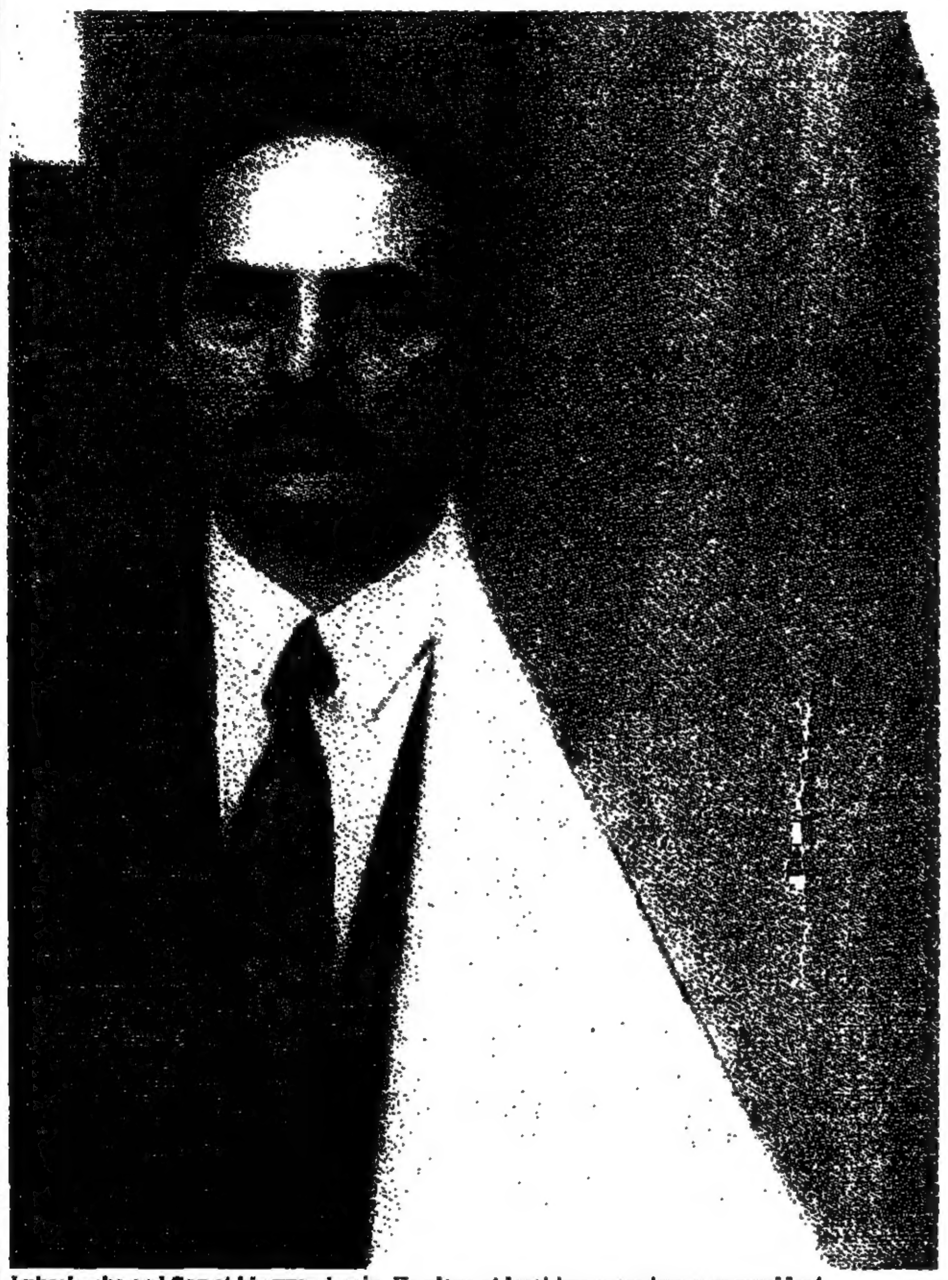
Eurotunnel, the Channel tunnel operator, has complained that it cannot sell duty-free goods because it started business after 1992. It argues that allowing competing cross-channel ferries and airlines to continue with the duty-free trade was the equivalent of handing them a £100m-a-year subsidy.

Mr Monti said removal of border controls had made it difficult to police duty-free purchases. Responsibility for enforcing personal allowances had passed to retailers and travel authorities – even though it was in retailers' interests to sell as much as possible.

He said airports checked passengers' boarding cards before allowing duty-free purchases, but frequently failed to record the quantity of duty-free goods and value of VAT-free items, and these were not added to in-flight purchases. Ferries tended to check the quantity of duty-free alcohol and cigarettes bought, but not the value of VAT-free goods.

Mr Monti added that while duty-free sales had fallen in recent years in Belgium, France, Portugal and Spain, and were level in Denmark, Ireland and the Netherlands, they had increased "remarkably" in the UK and Greece.

The International Duty Free Confederation, the trade body, said it would challenge the Commission's report and continue to lobby for a reprieve for duty-free. It argues that the tax-free trade creates employment, and reduces ticket prices for travellers. But companies such as BAA, the UK airport operator, have already started to look at turning shops into "factory outlet" or designer discount shops.



Lukashenko and flag at his swearing in. He plans at least two more terms as president Reuter

Lukashenko's grip tightens on Belarus

By Chrystia Freeland in Moscow

President Alexander Lukashenko yesterday tightened his iron grip on Belarus by banning public demonstrations during the harvest season. It was his response to increasingly united and vocal opposition to his authoritarian rule.

"I categorically ban all rallies and demonstrations while farmers are working in the fields," Mr Lukashenko told a meeting of agricultural officials. He also warned opponents that he planned to remain in office for at least two more presidential terms (a term is currently five years, but Mr Lukashenko is trying to extend it to seven).

Last week, seven Belarusan political parties, ranging from nationalists to Communists, buried their differences to issue a joint declaration denouncing Mr Lukashenko and accusing him of seeking to impose totalitarian rule.

The Belarusan leader's increasingly dictatorial style could become an embarrassment for Moscow, which has singled out Mr Lukashenko as Russia's best friend in the former Soviet Union. Earlier this year, Mr Lukashenko was the star of a glittering Kremlin ceremony in which he and President Boris Yeltsin signed a treaty to form a political and economic union.

Campaigning on a promise to reunite Belarus with neighbouring Russia, Mr Lukashenko was swept into office two years ago. Since then, he has formed a customs union with Moscow and signed a treaty promising further integration, but many Russian politicians appear reluctant to annexe the impoverished nation on their western flank.

In Belarus, a nation with a reputation for political docility, Mr Lukashenko's aggressive moves towards union with Russia have provoked surprisingly strong protest from nationalist politicians, who have attracted tens of thousands of demonstrators to pro-independence rallies. The most recent was a meeting attended by 7,000 people on Saturday.

Mr Lukashenko's answer to increasingly vocal opposition has been to impose ever greater restrictions on political freedoms in the republic.

Up to 200 people have been sent to jail for participating in peaceful public meetings. The president has also sacked newspaper editors, suspended trade unions and nationalised commercial banks in an effort to consolidate his rule.

Mr Lukashenko's communist-era approach to economic management was on display yesterday when he ordered Belarusan fuel company officials to lower their prices and warned that, unless they did so, they would be demoted to driving combines in the country's vast fields.

Juppé details role of small business bank

By Andrew Jack in Paris

The French government yesterday promised a "partnership" between the country's commercial banks and a newly created state-backed institution designed to lend support to small and medium-sized businesses.

Mr Alain Juppé, the prime minister, stressed that there would be co-operation and not competition between the banks and the new Banque de Developpement des Petits et Moyens Enterprises (BDPME), the outline of which was announced this month.

Following discussions yesterday with financial institutions which will be involved in the bank, Mr Juppé said the BDPME would give France an institution which already existed in other countries; one designed to provide venture capital support, start-up funding and development finance to small businesses.

His comments come after commercial banks expressed concern that the new institution might jeopardise their relationships with business customers and undercut their interest rates.

The new institution will receive FFr18bn ($3.6bn) annually in extra funding and will act as a holding company for two state-backed institutions, Crédit d'Equipement des PMEs (CEPME), which supports small businesses, and Sofaris, which provides guarantees to companies most at risk.

Mr Jean Pierre Raffarin, minister for small business, said the aim was to support the creation of employment and to halve the failure rate of new companies - 50 per cent fold within three years. A charter on relations between small businesses and their banks is planned.

The BDPME was given renewed impetus earlier this month in a television interview by President Jacques Chirac, who promised greater support for small business and the creation of the bank by the end of the year. He caused considerable controversy several months ago by criticising the banks for offer insufficient support to small companies and charging too much interest.

The BDPME is one of a series of measures promised by Mr Juppé last November when he launched a plan for small businesses which included lower corporation tax, reduced electricity and gas prices and a battle against red tape.

It will be run by Mr Jacques-Henri David, the current head of CEPME, which has suffered heavy losses over the past three years, including FFr256m in 1995. Ministers say it will act as a "mediator" and a partner between small businesses and their banks.

Within the holding company, the CEPME will benefit from FFr30bn in annual funding allocated by deposits in the Codevi, a tax-free government savings scheme designed to provide funds for loans to small businesses, and have access to the financial markets to raise additional money as required. The CPME is expected soon to launch a new issue of bonds worth FFr2bn.

Turkey names privatisation chief No.12

By John Barham in Ankara

Turkey's new Islamist-led government has appointed a little-known bureaucrat as the country's new privatisation chief, its twelfth in almost as many years. Mr Ismail Karakaya, an aide to Mr Ufuk Söylemez, the state privatisation minister, takes over at a time when Turkey's decade-long privatisation process has lost virtually all credibility.

Turkey adopted its first privatisation programme in 1986, but has raised only $3.1bn since then. Last year, the government attained only a fifth of its target of $5bn in privatisation revenues. Share prices on the Istanbul stock exchange fell on the news of Mr Karakaya's appointment.

A senior European banker based in Istanbul said: "The outlook for 1996 is pretty grim. I do not think there is anyone in Ankara who is able to focus on the issue. The general view is that this government has not got a clue about privatisation."

Both the Islamist Refah party, the coalition government's senior partner, and its ally, the conservative True Path party, support privatisation, but bankers and business leaders expect continued political opposition and legal challenges to sell-offs.

Court battles with leftwing opponents of privatisation have put the sale of Türk Telekom, the state telephone monopoly, on hold for two years. Other large state assets listed for privatisation include Tüpraş, a refinery, Petrol Ofisi, a fuel distributor and Petkim, a petrochemical company.

Privatisations have also been clouded by accusations of corruption involving Mrs Tansu Çiller, True Path leader and a former prime minister, who is under investigation by a parliamentary committee of inquiry. She is accused of interfering in the sale of a minority government stake in the Tofaş car company in 1993.

Although Refah leaders have said they support the principle of privatisation, Mr Necmettin Erbakan, prime minister and head of Refah, also favours an extension of the public sector. Last week he said profitable state companies should support loss-making ones.

The government is to unveil an economic policy package this week which will specify further revenue-rising measures, including sales of state-owned land and a fresh attempt at privatising Türk Telekom. But revenues are likely to be used to cover current spending rather than paying off domestic and foreign debts of nearly $100bn.

The Turkish government yesterday revived plans to build its first commercial nuclear reactor to avert an impending energy crisis. Consumption continues to outstrip the state-owned electricity generating company's ability to meet demand. Mr Uğur Doğan, energy ministry undersecretary, said Turkey would organise an international tender to build a $3bn nuclear plant within six years with a capacity of 1,000MW-1,400MW. Mr Hüsnü Doğan, energy minister in the previous government, last May scrapped plans for a nuclear station. Critics say Turkey would be wiser to spend money on maintaining its existing distribution network and generators more efficiently.

EUROPEAN NEWS DIGEST

Moscow acts on far east strikes

Authorities in Moscow said yesterday they were on the verge of ending a wave of strikes which threaten to cripple Russia's far east. However, protesting coal miners and power plant workers in the region said the crisis was growing.

Mr Alexander Livshits, presidential adviser on economic affairs, said money would be dispatched to the Pacific province over the next few days to pay miners and power plant workers, many of whom have not received their wages since March.

He also said the government would begin an overhaul of the energy system in the far east, whose inefficient combination of central planning and market principles led to a power black-out earlier this month and provoked the strikes.

His promises had no immediate effect on the disgruntled workers. This morning, some 12,000 miners, more than a third of the region's total, were expected to go out on strike. Some workers, who say the government's overall wage arrears to far eastern miners exceeds Rbs150bn ($29m), have threatened more severe action, including blocking the Vladivostok airport, and railways into the city.

Workers at a local power plant have joined the protest, and are now in the fifth day of a hunger strike to demand their wages. *Chrystia Freeland, Moscow*

Russia tightens foreign access

The Russian government, faced with Communist resistance to its proposals for attracting investment, will shorten the list of oilfields and other natural resources in which foreigners can take a stake, a senior parliamentarian said yesterday.

Mr Alexander Shokhin, deputy speaker of the Duma (lower house), said the government would submit to parliament a list of fewer than 60 priority areas where foreigners could seek concessions under a new production-sharing law.

The government's original proposal, offering concessions in over 200 areas, was denounced by the Communists, the largest faction in the Duma, as a sell-out of Russian interests.

Mr Viktor Ilyukhin, the Communist head of parliament's security committee, said the initial proposal would imply opening up to foreigners some 38 per cent of Russia's oil, 16 per cent of its gold, 60 per cent of its silver, 50 per cent of its copper and 7 per cent of its gas. Mr Shokhin was speaking at a conference in London of US and Russian legislators and oil executives, where all sides called for a reform of Russian taxes on the oil industry. *Bruce Clark, London*

Mediator hopeful on Cyprus

Mr Kestler Heaslip, the latest international mediator to seek a settlement to end the 22-year division of Cyprus, yesterday said he was hopeful a solution could be found. He was speaking after separate talks with Mr Glafcos Clerides, the Greek-Cypriot president, and Mr Rauf Denktash, leader of the island's minority Turkish community.

Ireland made Mr Heaslip the European Union's special representative on Cyprus when Dublin assumed the EU's rotating six-monthly presidency on July 1.

Mr Heaslip's visit follows a mission two weeks ago by Ms Madeleine Albright, Washington's UN ambassador, who said she had won an agreement by military commanders to reduce tensions on the island. The UK and the UN have also sent envoys to the island recently.

The EU's importance has increased since last year's decision to open membership talks with Cyprus at the end of the Union's intergovernmental conference. Diplomats hope this will encourage the two communities to agree on a lasting solution, since membership is only likely once Cyprus is reunified. *John Barham, Ankara*

Europe PC sales growth slows

Growth in sales of personal computers in Europe slowed further in the second quarter, held back by Germany's dull performance, according to Context, the research company. It said yesterday that buyers would be in an increasingly strong position in the months ahead as manufacturers and retailers scrambled for sales.

If prices did not drop, consumers could expect more computer power for the same money, while marginal manufacturers faced a desperate fight for survival, Context said.

In a survey, it said second-quarter sales in Germany, Europe's biggest market, were hit by consumer unease about job security and increasing taxes. Two weeks ago Escom, the German computer retailer, filed for bankruptcy, engulfed by a fierce price war. *Reuter, London*

EU to keep eye on Albania poll

Local elections are to be held in Albania on October 20, President Sali Berisha said yesterday. The international community will take a close interest on the poll in the wake of the controversial parliamentary election victory by the president's Democratic party on May 26 and June 2 amid reports of intimidation and ballot-rigging. The European Union says the vote could influence the country's ties with Europe. *Reuter, Tirana*

Gerhard Berger's aircraft held

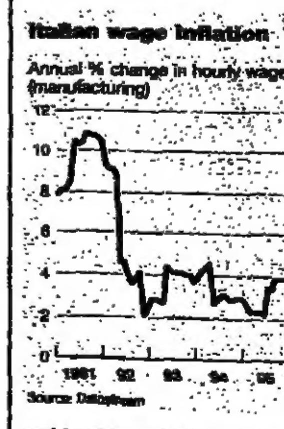
Tax officials have confiscated the private aircraft of Gerhard Berger, the Austrian grand prix racing driver, pending a financial investigation, the Tyrol provincial revenue service said yesterday.

The tax authority said it had seized the aircraft when Mr Berger arrived at Innsbruck airport on Sunday on his return after withdrawing from the German grand prix.

"There is a suspicion he has not paid all required taxes on the plane but he is innocent until proven guilty," the authority said. Mr Berger denied the allegations. Austrian state television quoted him as saying he only had to pay taxes in Monte Carlo. *Reuter, Vienna*

ECONOMIC WATCH

Italian pay ahead of inflation



Hourly wage rates in Italy in June were 4.1 per cent up on the same month in 1995, according to Istat, the state statistics institute. This was marginally above the inflation rate of an annualised 3.9 per cent. For the first time since 1993 there is now a clear trend of wages rising faster than inflation, a trend about which Confindustria, the employers' confederation, has expressed concern. The monthly increase in June was 0.2 per cent. Istat said this was mainly because of increases in food industry contracts and banking which went up 1.7 per cent and 1.2 per cent respectively.

However, over the previous 12 months, Istat noted banking and insurance had seen the biggest rises in hourly wages (up 5.1 per cent), whereas pay in industry as a whole had increased 3.8 per cent. The trade unions have been pressing the government hard to be allowed to recover lost purchasing power. As a result the government has agreed to let this year's wage contracts covering 1997 be negotiated at around the 3 per cent level compared to 2.5 per cent projected inflation next year. But wage levels are far from fixed and much will depend on the engineering workers' two-year contract due to be finalised in September. *Robert Graham, Rome*

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Intimations of mortality

Peter Montagnon on the jostling in Indonesia over the succession to President Suharto

Crackdown: troops guard a bank after anti-government rioting

It has suddenly become fashionable among Asia watchers to compare Ms Megawati Sukarnoputri, Indonesia's opposition leader, to Ms Aung San Suu Kyi, the Burmese democrat whose tireless campaigning has undermined the international legitimacy of the government in Rangoon.

Since the military contrived to engineer her ousting in June as leader of the Indonesia Democratic Party (PDI), Megawati, as she is universally known, has become a symbol of opposition to the 30-year rule of President Suharto. With the violent riots that followed the evacuation of her supporters from the PDI headquarters at the weekend, the force of that opposition looks to be growing.

But appearances can be deceptive. Unlike Ms Suu Kyi who won elections in Burma in 1990, few in Indonesia believe Megawati or the PDI could win next year's general election or the presidential election the year after.

The risk to stability may have grown, adding to concerns about the eventual transition once President Suharto, 75, steps down. Yet for now his hold on power remains firm. "There is no organised threat to the position of the president at the moment, principally because the military is still united behind him," says Mr Juwono Sudarsono of the government-financed Defence College in Jakarta.

Like Ms Suu Kyi, Megawati is the daughter of a famous politician. President Sukarno, her father, was Indonesia's first president who unified the nation after independence. But unlike her Burmese counterpart she lacks charisma. In two years at the helm of the PDI and, before that, in a decade as a member of parliament, she made little attempt to grab the limelight.

Even yesterday she appeared reluctant to exploit the wave of exposure following the riots. Her public profile remains low and, though the assault on her supporters at the PDI headquarters was widely expected, she has carefully avoided a direct personal confrontation with the president.

The government was expected to act but the timing of its move was inevitably determined by the Asean regional forum, a prestigious international security conference hosted by Jakarta which only ended last week. Given Indonesia's long tradition of street violence, it was always likely that the move would result in rioting. But the uneasy calm that descended on Jakarta yesterday – despite three bomb scares in the central business district – suggests the violence could quickly abate.

Yet the decision to move against Megawati involves a curious and typically Indonesian contradiction. Why, if she was never much of a threat to the president, was it necessary to go to all the trouble of ousting her as opposition leader?

The answer, according to one government official, was that the authorities wanted to marginalise her early in the election process. "She was never expected to get more than 15 per cent of the vote, but the next election is strategically important because the president is getting older. Her position in opposition might have made it hard to form a consensus about the succession," he explains.

The death in April of President Suharto's wife, Siti Hartinah Suharto, and his own recent visit to Germany for a health check have underlined his mortality and the fact that his regime must come to an end. Suddenly, Indonesia is both restive and uncertain how the transition will be handled.

While a spurt in economic growth has brought a palpable increase in living standards, Indonesia's newly affluent middle class is increasingly resentful of the stranglehold on power maintained by President Suharto, his cronies and family.

His children have become brazen in exploiting their connections to further their business interests: for example, his son Hutomo Mandala Putra won tax concessions in March to develop a cheap national car. Indonesia ranks alongside Uganda and the Philippines – and not far behind Nigeria – towards the top of the Corruption Perception Index produced by Transparency International, the German-based watchdog.

Assuming President Suharto stands and wins again in 1998, the resulting five-year term will almost certainly be his last. Attention will focus on his choice of vice-president who will effectively be his designated successor.

That person will face an enormous task. He or she must steer Indonesia towards a more liberal pluralist system, while maintaining the confidence of the military which is crucial to national stability.

If the new leader comes from outside the family, he or she must also persuade Mr Suharto's children to take a back-seat role which may involve a deal to protect them from any attempts to strip them of the wealth accumulated during their father's term of office.

Yet President Suharto has shown little sign of preparing the country for transition, while the military appears disconcertingly divided on tactics.

Younger officers such as Maj Gen Syarwan Hamid, head of the political affairs unit, and Lt Gen Suyono, chief of general affairs, urged a tough line on Megawati. But Mr Edi Sudradjat, the defence minister, was much more emollient.

Against this background, the prospect of a transition as bloody and chaotic as that which brought Mr Suharto to power strikes alarm into many Indonesians.

Mr Geonawan Mohammad, former editor of the banned Tempo magazine, fears an explosion on three fronts: ethnic conflict sparked by resentment against the economically successful Chinese; religious turmoil as Islam takes a stronger hold; and regional rebellions as separatists flex their muscles.

The more sanguine view in the business community is that the very affluence which has brought the urban middle classes to be open in their resentment of President Suharto will be a force for stability in the long run. The hope is for an eventual transition along the lines of that in South Korea.

The longer President Suharto remains in power and the richer the middle classes become, the more that pressure for stability will make itself felt, argues one foreign banker.

But hearts will beat easier when the person able to deliver a smooth transition finally emerges on the scene. For all the attention she currently enjoys, Megawati has so far failed to demonstrate the political skills and the broad establishment connections that fit the bill.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Jobs picture not so bleak in France

From Mr Christopher Johnson.

Sir, Your leader on unemployment in France ("Sharing the pie", July 26) is well argued, but the position in France relative to the UK is not as bad as the aggregate statistics make it look. This table is taken from the seasonally adjusted May 1996 unemployment percentages published by Eurostat:

Unemployment: France v UK

	France %	UK %
Males	[illegible]	[illegible]
Females	13.9	6.6
Males and females	[illegible]	[illegible]

Source: Franco-British Council

The difference is only in female unemployment rates. It arises because a higher proportion of the potential female labour force is registered as unemployed in France than in the UK. It has more to do with comparative social security arrangements for women that with relative economic performance.

Christopher Johnson,
chairman,
Franco-British Council,
47-49 Strutton Ground,
London SW1P 2HY, UK

From Mr Walter Grey.

Sir, Somewhat surprisingly, your suggested cures for France's excruciatingly high unemployment included "a more expansionary monetary policy" but not, except perhaps as a natural extension of that, a more realistic, rather lower exchange rate.

Yet a small (not "competitive") devaluation of the French franc against other ERM (and so also non-ERM) currencies could do France's economy, and hence level of employment, a power of good, without causing undue harm to France's ERM partners/competitors and others.

Of course, such an adjustment should not, least of all in the run-up to a single European currency, serve as a ready-made excuse either for France to repeat it or for other to follow suit.

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN, UK

LME defence serves only to confuse

From R. Patrick Thompson.

Sir, Your article "Former chairman defends LME system" (July 19), setting forth Christopher Green's "spirited defence" of the London Metal Exchange clearing system could only have served to confuse and, unfortunately, sidetrack, all but the expert insiders in the copper world from the real issues raised by the LME's handling of Sumitomo. The clearing system – which is owned and regulated not by the LME, but by the London Clearing House – managed to avoid default because of the deep pockets of Sumitomo, a non-clearing member. This avoidance of default, however positive, is not the standard by which the Sumitomo crisis should be measured.

Instead, the real issue is whether the LME permitted its customer to hoard a strategically important commodity resulting in artificial pricing. The standard against which the LME's regulatory structure must be graded is its ability and toughness of will to combat market manipulation. This is not a trivial regulatory issue or one whose impact was limited to a single company. If manipulation in the Sumitomo matter did in fact occur, its impact on the domestic US consumer alone exceeded \$1.5bn, in Nymex's estimate. Comparing this impact to Metallgesellschaft, as Mr Green did, is simply off-base. MG lost money, and a lot of it, but was not trying to corner the oil market. MG's trading – the vast majority of which took place in the OTC market – involved the ongoing health of MG. This was a financial matter that was widely regarded as having been handled promptly and correctly, despite the inference to the contrary in your article.

That a seemingly regulated market can behave in the way the LME's copper market was permitted to behave requires inquiry and explanation, not uncritical endorsement. The sooner that key officials acknowledge the shortcomings in the LME copper marketplace, and correct them, confidence can be restored. On the other hand, if the system is "good enough", as Mr Green states, corrective measures that are needed to restore public confidence may be delayed. Please continue to report on the public's need for measured changes, and not on the hopes of the established market leaders to maintain a dangerous status quo.

R. Patrick Thompson,
president,
New York Mercantile Exchange,
New York, NY 10048, US

Positive Indian budget passes critical test

From Mr Deepak Lalwani.

Sir, In his feature "Classic Indian craftsmanship" (July 24), Mark Nicholson opines that the 1996-97 budget "was not a brave first budget", identifying the high fiscal deficit as a key focus of concern for the international capital markets.

The new government consists of a fragile coalition of 13 parties, pursuing disparate policies and representing diverse constituencies and interest groups. No one party or group commands an overall majority in parliament, and therefore the critical test for the budget must be whether it is capable of being passed by parliament.

The underlying message of the budget is surely positive in that reform is to continue, and that the government is to pursue policies which will maintain economic growth. (gross domestic product growth of 7 per cent per annum is respectable, even by Asian standards.)

Meanwhile, a not over-ambitious attempt is being made to reduce the fiscal deficit to 5.0 per cent from 5.9 per cent of GDP. Prior to liberalisation, the average deficit 1987-91 was 8.2 per cent of GDP. Post-liberalisation, the average deficit for the period 1992-96 was 6.2 per cent. The current target of 5.0 per cent therefore represents a further step in the right direction, and should be viewed in relation to recent history. Moreover, a key factor in achieving the target is to be the divestment of Rs50bn of state-controlled assets.

To suggest that five years of liberalisation has not yet depoliticised the running of the economy ignores the complexity of Indian democratic politics. It has been widely acknowledged for some time that the narrow distribution of the gains from liberalisation would have to be addressed if the reform process was to continue to obtain sufficient, broad-based political support. This budget makes an essential nod in the direction of the rural poor, the sector which has seen little of the benefits of deregulation and reform. Unless this political problem had been addressed, the fissiparous elements in Indian politics would only gain support, a development which would present a genuine threat to reform.

Overall, Mr Chidambaram's first budget is more positive than many expected when the coalition government came to power in June.

Deepak Lalwani,
India desk,
Astaire & partners,
40 Queen Street,
London EC1V 1DD

More rightful author of labour theory of value

From Mr Dominic Hobson.

Sir, The only common ground between Michael Prowse ("Dethroning Adam, July 8), Eamonn Butler (Letters, July 11), Prof Jeffrey M. Herbener (Letters, July 17) and the late Prof Murray N. Rothbard is their belief that Adam Smith was the author of the labour theory of value.

Yet that dishonour surely belongs to John Locke, who in *Of Civil Government* explained that the individual acquired rights of property only by "mixing" his labour with the common stock of the natural world. Locke's purpose, which was to show that the right to property is natural rather than conventional, was political rather than economic. It is not hard to see why this idea was useful to Hegel and Marx in developing the theory of alienation, and to Ricardo, Smith and Marx in formulating the labour theory of value.

Dominic Hobson,
62 Manchuria Road,
Battersea, London SW11 6AE

European Central Bank signals taxation without representation

From Miss Haruko Fukuda.

Sir, It is possible that Mr Eric Elstob (Letters, 24) has "dodged the real question". The real question is whether having a British member on the board of the European Central Bank would leave the UK with the ability to determine its interest rates and its levels of taxation commensurate with our British aspirations.

The basis of parliamentary democracy as founded in the British tradition is that there should be "no taxation without representation".

However, the independent European Central Bank, as it is planned currently, is neither accountable nor answerable to any of the national parliaments.

Haruko Fukuda,
33 Ennismore Gardens,
London SW7, UK

Personal View · **David Cesarani**

Questions from history

Swiss action on the 'dormant' accounts of Jews in its banks will be the test of its pronouncements

Switzerland's wartime record has escaped the spotlight until recently, but now the Swiss are squirming with embarrassment.

Over the past few years the country has been accused of turning away the Jews fleeing Nazi persecution, oiling the Nazi war economy, and concealing gold which the Nazis plundered from the countries they occupied. Worst, Jewish organisations have charged Swiss banks with hiding the existence of, and profiting from, the accounts opened by Jews who subsequently perished in the holocaust.

Some of the grosser charges of misconduct are unfair and ignore the context in which both government and banks were operating during the Nazi era. But the conduct of the Swiss government and Swiss banks raises questions about asylum and banking ethics which are relevant today.

Between 1933 and 1938 about 30,000 Jewish refugees were allowed transit through the country but few were able to settle there. After the Germans annexed Austria, more than 10,000 mainly penniless Jews poured into the country. Border controls were tightened and in October 1938 the Swiss government insisted the passports of German Jews be marked so that potential refugees could be easily distinguished. In 1940, Paul Grüninger, head of the border police for Saint Gallen canton, was jailed for helping Jews to escape across the border.

Switzerland was an important base for Jewish relief and rescue agencies and from mid-1943 Swiss refugee policy was modified. But desperate to preserve the country's neutrality, everything was done to avoid the impression of favouring refugees from Nazism or anti-Nazi elements.

The UK and US governments were more worried about the role Swiss banks played in facilitating the Nazi war effort. The Germans seized hundreds of tons of gold from the central banks of the countries they overran in 1939-41. This plundered gold augmented the modest reserves of the Reichsbank and was used to pay for imports of food, goods, raw materials and fuel. The gold was transferred into Switzerland to offset payments to third parties.

> The changing atmosphere, however belated, may speed the disbursement of whatever Jewish money remains unclaimed in Swiss vaults

The allies placed enormous pressure on the Swiss to cease these transactions, but they continued until the eve of Germany's defeat. Dean Acheson, the US State Department official, commented bitterly that: "In April 1945, the Swiss surrendered [to allied pressure] – only a month before General Jödl did."

In September 1944 the allies set up Operation Safe Haven to force the Swiss to curtail their dealings with Germany. The Swiss agreed, but only under stringent conditions, and without reference to any of the looted gold in their custody.

After the war, the victorious allies which occupied Germany and were stewards of its fortunes claimed ownership of German assets in Switzerland. But the Swiss initially refused to recognise their jurisdiction. They rebuffed all demands for the repatriation of gold transferred from the Reichsbank or even looted gold.

Finally, in May 1946, the allies reached a deal with the Swiss, the disclosure of which has recently caused uproar. The allies conceded the low Swiss estimate of German assets in Swiss banks and agreed to split the sum 50:50 with the Swiss placing gold to the value of SFr250m in a "gold pool" to be used to meet the claims of a dozen plundered central banks. Yet the restitution procedure was dogged by problems and astonishingly was still grinding away in 1981.

A smaller-scale, but incomparably more emotive, issue concerns the fate of deposits made by Jews who hoped to escape the Nazis but who never survived to claim their money. Soon after the war, relatives of these Jews and Jewish organisations responsible for handling reparations requested the Swiss banks to hand over money from accounts where the holders were now deceased.

The banks demanded ludicrously high standards of documentation. In 1962, after an international campaign, the Swiss government decreed a survey of "dormant" accounts. About \$5m was uncovered, of which \$2m was paid to about 1,000 individuals and the rest to Jewish charities.

Jews suspected more was being concealed and another campaign was mounted by the World Jewish Congress in 1994. It embarrassed the Association of Swiss Banks into conceding another trawl of the "dormant" accounts. The results of this are still to be disclosed.

It has taken a long time for the Swiss to come to terms with their wartime history. It was not until 1994 that Paul Grüninger was pardoned and officially recognised as a hero. This changing atmosphere, however belated, may speed the disbursement of whatever Jewish money remains unclaimed in Swiss vaults.

In April 1995, Mr Flavio Cotti, the Swiss foreign minister formally acknowledged his country's chequered past. "We cannot and must not deny that Switzerland was involved in the barbarism of those years," he said. Its policy on asylum, immigration and the treatment of "dormant" accounts from the 1940s will be the test of these praiseworthy sentiments.

The author is professor of Jewish History at Manchester University

US and Japan seek 11th-hour deal on semiconductor trade

By Michiyo Nakamoto in Tokyo and Neil Buckley in Brussels

The US and Japan appear to be making progress during last-minute efforts to settle their dispute over trade in semiconductors by tomorrow's deadline.

"This is a very good start," Mr Yoshihiro Sakamoto, vice minister for international trade and industry, said in Vancouver after talks with his US counterpart, Mr Ira Shapiro, the senior US negotiator.

And Mr Ryutaro Hashimoto, Japan's prime minister, sought to calm any concerns that the talks might collapse, saying that failure to reach agreement would not jeopardise US-Japanese relations.

"We are not in a situation where we have to worry about a shake-up in the relationship between the two countries," said Mr Hashimoto.

The semiconductor talks seek to settle differences between the US and Japan over whether to renew a bilateral market-opening accord which expires tomorrow.

The US wants to extend the accord, which has effectively committed the Japanese government to guaranteeing an increased market share to foreign semiconductor makers, as the best means to ensure that Japan's market remains open to foreign suppliers.

Japan, however, has insisted that government intervention in a free market goes against the tide of deregulation and the spirit of the new world trade order.

Japanese government officials initially sought to persuade the US that industry-to-industry co-operation should take the place of any government role in the market, but US insistence that government involvement was essential for effective market opening finally succeeded in bringing the Japanese government back to the negotiating table.

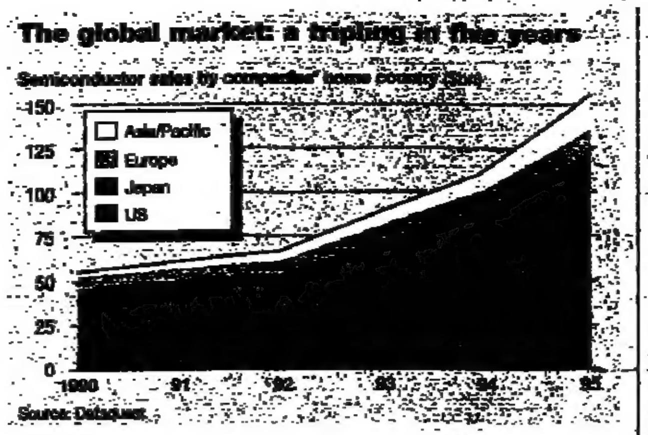
The European Union's chief semiconductor negotiator, Mr Peter Carl, is monitoring the US-Japan negotiations and is expected to hold meetings with both sides. The EU is anxious to be included in any future semiconductor agreement between the US and Japan, and reached agreement in principle with Japan last month that any agreement should be multilateral rather than bilateral.

Differences over whether or not Japan is in breach of an agreement over the deregulation of its insurance market also remain to be resolved before a self-imposed deadline at the end of the month.

While a last-minute effort to patch up their differences failed over the weekend, Japanese government officials are expected back in Vancouver this week to continue the effort.

The global market: a tripling in five years

Semiconductor sales by companies' home country ($bn)



Source: Dataquest

Vietnam and BHP at odds on oilfield

By Jeremy Grant in Hanoi

The future of Australian energy group Broken Hill Proprietary's involvement in the controversial Vietnamese Dai Hung (Big Bear) oilfield was thrown into doubt yesterday. PetroVietnam, Vietnam's state-run oil company, said it was unlikely to accept an offer by BHP to make the prospect workable.

BHP had wanted the terms of its production-sharing contract (PSC) with PetroVietnam changed to reflect sharply lower than expected reserves. But PetroVietnam has refused to accept changes to the PSC.

BHP recently proposed instead that it act purely as a contractor, a formula through which it apparently hopes to recover some of its initial investment. Melbourne-based BHP has a stake of around 44 per cent in the field, with the rest held by PetroVietnam, Total of France, Malaysia's state-owned Petronas and Sumitomo of Japan.

However, Mr Do Van Ha, head of international relations at PetroVietnam, said it would not accept any proposal that did not fall within the terms of the PSC. "We welcome any constructive suggestions to implement the project, but in line with the PSC. We are not in a position to change the PSC. This position is recognised by BHP," he said.

BHP started progressively writing down its roughly A$220m (US$173m) investment in Dai Hung in the 10 months prior to June, when it wrote down the remaining A$151m, said Mr Bernie Delaney of BHP. Production has slumped to 15,000 b/d from 35,000 b/d in 1994.

The company has said it will abandon Dai Hung if the operation reaches a negative cash flow position. Asked when that might be, Mr Delaney said: "That very much depends on the crude [oil] price and whether we're successful in coming into agreement with the Vietnamese government."

PetroVietnam seeks funds, Page 5

Brussels prepares Cuba fightback

By Neil Buckley in Brussels

The European Commission is expected today to publish the final draft of "anti-boycott" legislation to counter the US Helms-Burton Act, under which European Union companies could be penalised for doing business with Cuba.

Agreement on the legislation by the 20 European commissioners would clear the way for it to be adopted by EU ministers after the summer recess in September, if they decide to retaliate against the Helms-Burton law.

Despite differences over Helms-Burton and the US D'Amato legislation, which would penalise investors in Iran and Libya, the Commission insisted in a report yesterday that EU-US trade relations had improved over the past year.

The annual report said long-standing problems between the EU and US had been resolved as a result of the Uruguay Round, which had "reduced tension" on agricultural issues, and led to more disputes between the two sides being settled by international bodies.

A second development was the New Transatlantic Agenda agreed last December. This aims to create a "transatlantic marketplace" by reducing or eliminating barriers to goods, services and capital.

But the Commission expressed concern at the increasingly extra-territorial nature of US legislation – exemplified by Helms-Burton and D'Amato – and at the fact that the US continued to favour a unilateral approach in many trade issues.

It was also unhappy that the US continued to use principles such as national security and environmental protection to block trade, which could be a "disguised form of protectionism". The report criticised the US for being slow to meet some international obligations, including ratifying the OECD shipbuilding agreement and removing inter-state restrictions on financial services.

Brazil falls out with its trading partners

Going into deficit has triggered a range of import quotas and tariff increases, writes Jonathan Wheatley

The failure of informal consultations between Brazil and Japan to resolve a dispute over Brasilia's restrictions on motor vehicle imports last week was the latest episode in a series of disagreements between Brazil and trading partners.

Since Mr Francisco Dornelles took office as trade and industry minister in May, quotas on textile imports and a sharp increase in duties on toys have added to worries that the government may be wavering in its commitment to free trade. These concerns have been fuelled by fighting talk from Mr Dornelles about protecting local manufacturers from "predatory" imports and from unfair restrictions on their access to export markets.

While foreign diplomats in Brasilia say they are confident that the opening of Brazil's economy, begun in 1990 after two and a half decades of protectionism, will continue, they worry that the pace of change is slowing.

"We view with concern the fact that Brazil is modifying its commitment to multilateral trade," a member of the European Union delegation in Brasilia said last week, "but there is no overall vision involved. What we are seeing is the administration of foreign trade by measures where controls can most easily be imposed."

After years of surpluses, Brazil's trade balance went into the red by more than $3bn last year, largely as a result of the strength of a new inflation-beating currency. One of the government's first responses was to introduce a tight quota on motor vehicle imports and to raise duties from 32 per cent to 70 per cent. The quota was lifted after objections at the World Trade Organisation, but the duties remained.

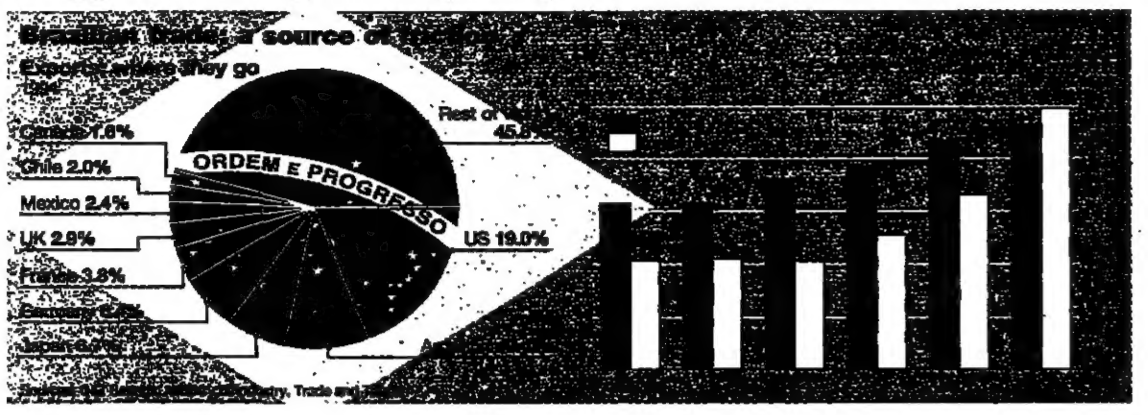
Since December, vehicle manufacturers operating in Brazil may import vehicles at half the 70 per cent tariff – a policy the government says is designed to stimulate investment but which other countries see as discriminatory. The US, South Korea, the EU and Japan have objected; after the failure of consultations in Geneva last week, Japanese diplomats said their government was considering opening dispute settlement proceedings at the WTO. Japan's vice-trade minister confirmed this yesterday.

Meanwhile there have been other restrictions. In May, quotas imposed on textile imports from China, Taiwan, Panama, Hong Kong and South Korea cut imports of many products by more than a third. Among other measures, tariffs on imported wine and footwear have doubled to 40 per cent; tariffs on rice have risen from 10 per cent to 22 per cent; on peaches from 14 per cent to 40 per cent; on gypsum from 4 per cent to 56 per cent. Another restriction is pending: the trade and industry ministry has approved proposals to raise tariffs on pencils from 18 per cent to 287 per cent.

This month, the government caused a fresh outcry by using the WTO safeguards procedure to raise duties on toys from 20 per cent to 70 per cent after imports rose to $284m last year from $104m in 1994. The move brought swift criticism from Brazilian retailers and from manufacturers in the US, Hong Kong and the EU; the EU has requested consultations at the WTO.

Critics of the measure say Brazil's manufacturers have a case for seeking protection against toys from China, but chose to ask for WTO safeguards – which may not specify country of origin – because of the difficulty of imposing other barriers. The EU says the action contravenes WTO rules by imposing tariffs across the board and not on specific items.

Mr Dornelles says his ministry has not adopted protectionism or any other policy in approving the recent measures. At a meeting with foreign journalists last week, he cited requests for assistance from Brazilian exporters against what are seen as unfair barriers in other countries, including US measures against imports of Brazilian orange juice, tobacco, steel, footwear and textiles and EU barriers against sugar, beef, chicken and instant coffee.



"Requests for assistance from importers and exporters are assessed on purely technical grounds," he said. "Most requests are turned down. The ministry is not a hospital for sick companies – they don't get protectionism here."

The fact that Brazil forces complainants to follow WTO procedures supports the view that it is not prepared to introduce restrictions arbitrarily.

Some observers say Mr Dornelles is not above adjusting his tone for local and foreign audiences, and see a political element in much of his tough talk: Mr Dornelles is a career politician with ambitions to be governor of Rio de Janeiro state; championing domestic industry will do him little harm among Brazil's elite.

There is also a strong probability that politics lies behind the spate of import restrictions. President Fernando Henrique Cardoso has fought hard to push difficult reforms through a recalcitrant congress. Progress has stalled in recent months. Some timely concessions to influential interests, observers say, could make the job easier.

In the run-up to the first WTO ministerial meeting in Singapore in December, many expect Brazil to take a lead among developing nations in resisting calls for an acceleration of free trade.

"Brazil is making big efforts to be seen as a respectable, serious country," said one diplomat. "That entails a level of restraint and responsibility" to retain credibility.

Officials believe the 20 countries willing and able to sign up will encourage others

Nations rally to IMF's statistics standard

By Robert Chote, Economics Editor, in London

At least 20 industrial and developing countries have indicated that they are willing and able to subscribe to the International Monetary Fund's new quality standard for economic statistics, which it hopes to launch next month.

Officials believe this number and mix of countries will be sufficient to give the new quality standard critical mass – and that the "embarrassment factor" will soon encourage other countries to sign up. Subscribers to the standard will be allowed to display details of the data they produce on a special Internet site maintained by the IMF.

The idea of a statistical quality standard was proposed in the wake of the Mexican financial crisis which began late in 1994. Officials believe with hindsight that better and more timely information about Mexico's trade, debt and foreign exchange reserves might have allowed the national authorities and international financial institutions to act quickly enough to avert the crisis.

The IMF has drawn up standards for 17 categories of data which it believes should be met eventually by the 60 to 70 countries which have access to international financial markets. In June and July IMF statisticians explained these standards to officials from the statistical agencies of more than 50 of those countries, in seminars held in Geneva, Santiago and Bangkok. The standards cover the scope, frequency and timeliness of data, as well as its integrity, quality and availability to the public.

The original formulation of the standard was so strict that no single country met all the requirements. Since then, however, the scheme has been modified so that countries are allowed to exercise "free passes" for two of the requirements.

For example, a country such as Australia could choose to continue producing quarterly consumer prices data rather than monthly data as the standard stipulates. But free passes cannot be used to avoid some key requirements, including the provision of timely data on foreign exchange reserves.

Taking this flexibility into account, countries such as the US, Canada and the UK are expected to meet the standard fully from day one.

Countries which still fall a little short will be allowed to sign up anyway if they indicate how they will address any deficiencies during a transition period which will end in 1998. Many countries, for example, have work to do before they will be able to produce adequate quarterly national accounts.

In spite of the leeway built into the scheme, two of the Group of Seven leading industrial countries have not yet indicated that they are ready and able to subscribe to the standard. "It remains to be seen whether they will be embarrassed," an IMF official said .

The Internet site will carry only descriptions of the statistics provided by subscribers – "metadata" in the IMF's jargon – rather than the statistics themselves. Assembling this metadata has proved sufficiently difficult that the IMF still cannot be confident that the bulletin board will be up and running by the end of August. Eventually, however, the IMF would like the site to provide a gateway through which users can gain access to the statistics themselves.

Work is also under way on a less demanding "general" data standard, which should be met even by countries which do not have access to international financial markets.

Officials have had to explain gently to some aspiring subscribers to the advanced standard that the applicants are being a little over-ambitious.

Erbakan to back Kurd umbrella

By John Barham in Ankara

Turkey's parliament is to decide today whether to renew permission for a US-led air umbrella over the Kurdish provinces of northern Iraq, wrested from Baghdad's control after the 1991 Gulf war. Analysts expect the new Islamist-led government to support renewal, backtracking on previous pledges to end the mission, known as Operation Provide Comfort.

Parliament, acting on the recommendation of the powerful military-dominated National Security Council, has previously renewed mandates with little debate. The operation's 80 aircraft from the US, Britain and France fly from Incirlik airbase in southern Turkey.

However, opposition to the flights has grown as MPs from across the political spectrum suspect the operation shelters separatists of the Kurdistan Workers party (PKK) fighting government forces in south-eastern Turkey. They also believe the west is trying to establish an independent Kurdish state in Iraq. Parliament decided to extend the mission temporarily when the mandate last came up for renewal.

Mr Necmettin Erbakan, Turkey's new Islamist prime minister, was a leading critic of Operation Provide Comfort while his Refah party was in opposition. However, intense pressure from Washington and London as well as from Turkey's generals, now seems to have forced him to accept a further renewal. Still, a western diplomat said: "I only give it a 50-50 chance of it going through."

Mr Erbakan demanded a number of concessions from Washington. They include a US declaration that it "will not support an independent status for northern Iraq". Washington again stated it "supports Turkey's efforts to deal with the threat posed by PKK terror".

One of the western negotiators said Washington had also offered to share intelligence with Turkey and to co-operate on monitoring the mountainous Iraqi-Turkish border to prevent PKK infiltrations.

However, it is unlikely the west will agree to other demands for greater control over flights or accept moving a military liaison office in northern Iraq into Turkey. Mr Erbakan also demanded tighter controls over western charities in Iraq, which are suspected of supporting the PKK. Turkey also wants to be exempted from United Nations trade sanctions against Iraq.

Women suffered most in global recession

By Robert Taylor, Employment Editor

Women workers suffered more than men across the world in the economic recession of recent years, according to a report published today by the Geneva-based International Labour Organisation.

In two-thirds of industrialised countries the jobless rate for women is between 50 and 100 per cent higher than for men. Unemployment among women is also considerably higher than among men in sub-Saharan Africa, Latin America and the Caribbean.

The survey shows that women in developing countries make up 31 per cent of the world's labour force. By the year 2000 there will be as many women in work as men in many industrialised economies.

In south-east Asia 54 per cent of workers are women and in the Caribbean 49 per cent. Women make up 34 per cent of the workforce in Latin America and 21 per cent in northern Africa.

Only the Gulf states continue to resist the trend towards increased female employment, says the study, written by Ms Lin Lean Lim, an ILO official. But even here the number of women migrant workers is increasing steadily.

The substantial growth in the number of women workers in industrialised nations reflects the increase in part-time employment. Women make up between 65 and 90 per cent of all part-timers in industrialised economies.

In developing countries women make up a substantial part of the labour force in the informal sector in low paid, unregulated activities. More than a third of the female workforce in Africa work in the informal sector with 72 per cent of those in Zambia and 65 per cent in the Gambia. More than 65 per cent of women in the Indonesian labour market have jobs in the informal sector.

Worldwide, women work longer hours than men for lower pay

The survey also shows women face widespread discrimination.

It says women work longer hours than men for lower pay, earning only between 50 and 80 per cent of men's wages worldwide.

As many as two-thirds of the nearly 1bn adult illiterates in the world are female. Sixty per cent of the 100m children without access to primary education are girls.

"Equality of opportunity and treatment for women in employment has yet to be achieved anywhere in the world," Mr Michel Hansenne, ILO director-general, said yesterday.

The report says that "increasing employment opportunities for women is not sufficient; there must be action to improve the terms and conditions of such employment."

It recommends the enforcement of international labour standards to ensure the principle of "comparable worth by providing equal pay for work of equal value", greater security for part-time workers, guarantees of freedom of association and the right to collective bargaining for women and "appropriate" labour market regulation to protect women.

More and Better Jobs for Women – An Action Guide by Lin Leam Lim, £13.50, from ILO, Vincent House, Vincent Square, London SW1 2NB

Fears over Mideast hotel boom

By Scheherazade Daneshkhu

New hotel building is thriving in parts of the Middle East, where tourism has been growing over the past decade, but there is now a danger of hotel oversupply, says HVS International, the hotel consultant

Hotel occupancy rates have risen sharply from an average of 43 per cent five years ago to 62 per cent last year. The survey covers 115 hotels – 35,437 rooms – in chains such as Sheraton, Inter-Continental and Holiday Inn.

However, the rise in occupancy has not been matched by a similar rise in prices. Average room rates increased by just $1 between 1993 and 1995.

International hotel chains are planning to add 5,000 rooms this year and another 7,000-9,000 by 1999. "If occupancy rates are to remain at their present level, this would require the Middle Eastern tourism market as a whole to grow by approximately 8 per cent per annum in order to service the new supply," said the report.

Tourism in the Middle East and North Africa – Trends and Opportunities, HVS International, 14 Hallam Street, London W1N 5LF. £25.

Israel to cut interest rates

By Avi Machlis in Jerusalem

The Bank of Israel said yesterday it would lower its key lending rate by 0.7 of a percentage point in August, from 17 per cent to 16.3 per cent, signalling that inflationary pressures in Israel are moderating.

Shares rallied 3.64 per cent on the announcement.

The central bank said it expected inflation in the second half of 1996 to drop below the level in the first half. Inflation is running at 14 to 15 per cent a year compared with the government's 8-10 per cent target.

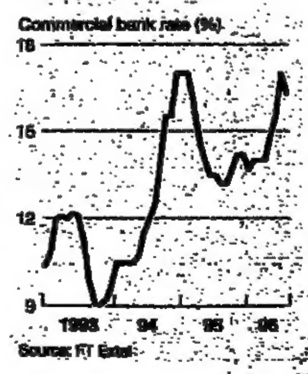
Mr Jacob Frenkel, governor of the bank, said that while inflationary expectations were declining, indicators continued to point to a high level of economic activity. "Therefore budgetary and monetary restraint is still imperative," he said, "but certainly, if positive results continue [we] may see a continued [decline] in interest rates."

Last month the governor came under heavy fire from business leaders after raising the interest rate by 1.5 percentage points to 17 per cent.

Many businessmen and traders continued to demand further interest rate cuts and said the move was not sufficient to revive the market.

Israel

Commercial bank rate (%)



Source: FT Extel

Since the elections in May which brought Mr Benjamin Netanyahu and his hardline Likud party-led government into power, the Israeli stock market has plunged by as much as 20 per cent. The business community has blamed much of the fall on high interest rates which they say lured investors away from equities and towards high-yield savings.

The Bank of Israel will today issue a tender for the purchase of Shk250m ($79m) of government bonds, as part of the government's plan to stabilise the bond market.

Burundi leader in bid to ease tension

By Michela Wrong and agencies

Burundi's new strongman and members of the international community were trying yesterday to bring calm to the tense central African country as the danger of extensive killings among the Hutu majority and Tutsi minority loomed.

After staging a series of press conferences at which he promised to discipline an army accused of repeated atrocities and appoint a transitional government open to all Burundians, Major Pierre Buyoya briefed the diplomatic corps on his intentions. He said he was a democrat determined to end the bloodletting and insisted the army had only seized power because "forces of insurrection" were about to rage out of control.

Mr Morris Hughes, the US ambassador, whose government has been loudest in condemning the coup and whose embassy still shelters the previous Hutu president, said the major's remarks had been "reassuring".

"We are all trying to keep things calm to allow things to evolve without bloodshed," he said.

Meanwhile United Nations staff are planning for a possible exodus of up to half a million refugees.

Costly action to end country's reservoir shortages is needed urgently

China's water slows to a trickle

Viewers of television footage of devastating floods in southern China could be forgiven for believing the whole country is awash. But the news from the north tells a very different story.

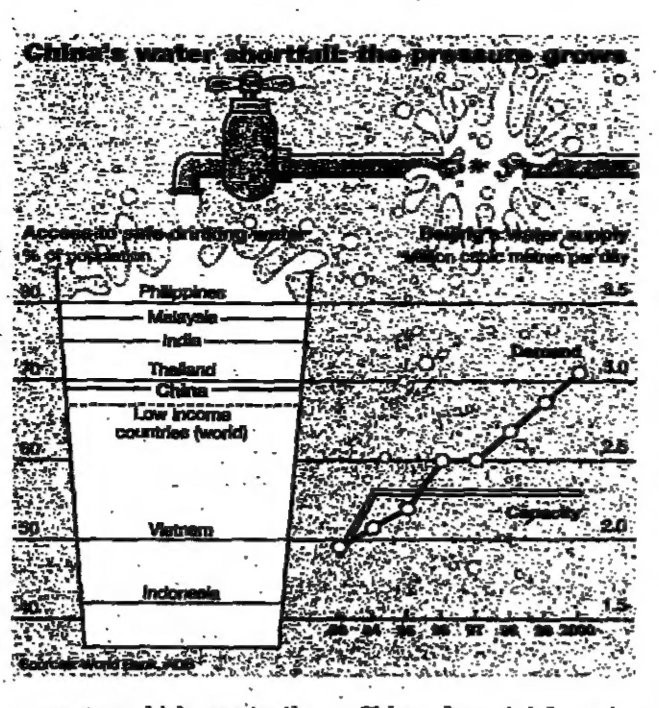
China's northern regions are suffering severe water shortages and unless remedial action is taken at a cost of billions of dollars the country faces a crisis by early next century. Mr Niu Maosheng, minister of water resources, said this week that more than half of China's 600 large and medium-sized cities faced shortages and 108 were severely deprived.

Worst affected cities include Taiyuan, capital of Shanxi province south-west of Beijing, and Datong, also in Shanxi. Water is available in Datong only at certain times of the day and even then water pressure is so feeble that residents of upper floors of apartment buildings get no more than a trickle.

Science and Technology Daily newspaper quoted Mr Niu as saying that water shortage and water pollution had become a "major headache" and unless effective measures were taken tens of millions of Chinese would not have access to clean drinking water in the next two or three decades.

Mr Pieter Bottelier, chief representative in Beijing of the World Bank, said the bank, whose lending programme in China is running at about $3bn annually, had made water conservancy one of its development assistance priorities.

This was partly recognition of agriculture's importance in a country which constantly walks a fine line between food self-sufficiency and famine. "Water shortages," Mr Bottelier says, "are a very serious long-term physical constraint on agricultural and industrial development, and the problem is particularly chronic in northern provinces."



According to Mr Niu, 70m Chinese farmers and 60m livestock lack adequate drinking water. Since 1990 26m hectares of China's 110m hectares of arable land have been hit by drought, causing a reduction in grain output averaging 35m tonnes annually.

China has total water resources of 2.8bn cubic metres with average per capita availability at 2,300 cubic metres, but in China's nine northern provinces it is just 500 cubic metres.

Beijing itself and its sister-city, Tianjin, suffer from chronic water shortages. Average per capita water availability in the capital is about 400 cubic metres, or less than a seventh of the country's average and twenty-eighth of the world norm.

Local reservoirs cannot meet demand and Beijing is obliged to exploit about 2.7bn cubic metres of ground water annually with the result that the water table is now 50 metres below sea level, causing serious subsidence problems.

Science and Technology Daily said that by 2010, unless new water supplies were tapped, Beijing would face an annual shortfall of 1bn cubic metres.

In Tianjin, a city of more than 10m and one of China's busiest ports, the situation is even worse. Water availability per capita is the the smallest in the country, amounting to 6.7 per cent of China's average.

China's water crisis is perhaps the most serious in Asia, exacerbated by the sheer weight of population, but the country is far from alone in experiencing problems.

A water seminar organised in Manila recently by the Asian Development Bank was told that, although total water supplies were abundant in Asia, mismanagement of resources was leading to crisis.

Mr Peter Rogers, water resources and environmental engineering professor at Harvard University, noted that 80 per cent of water in Asia went to inefficient irrigation that wasted nearly half of it.

Urban water supply systems also lost about half to leakages, and water distribution was extremely uneven. Laos had 66,000 tonnes available per person per year, while Singapore had just 220 tonnes.

Mr Kazi Jalal, chief of environment and social development at the ADB, told the seminar there was a looming water crisis in the region.

"It is spreading and is going to be a major crisis in the future unless something is done now," he said.

In China wastage is a serious problem. The official China Daily reported last month that as much as one quarter of China's urban water supply and even more of its water to industry was lost because of leaks in underground pipes.

Leaky pipes in Chinese cities – China has a network of 600,000km of underground water pipes – are estimated to be wasting Yn3bn ($360m) worth of water each year, according to a recent People's Daily dispatch. Saving 1 per cent of the leaked amount, or more than 400m cubic metres, would supply 6.5m people with water for a year.

In the countryside porous canals used to transport water for irrigation are believed to squander half their contents. More efficient irrigation methods such as drip and sprinkler are sparingly used because of cost.

In its efforts to address the water crisis, China is looking at various schemes to divert supplies from south to north but these are enormously complicated projects. There are three such schemes under consideration to transport water from the Yangtze to the Yellow river and further north but the cost may be prohibitive.

In the meantime, China's best hope of staving off disastrous shortages appears to lie in improving water conservancy and extending the recycling of waste water.

Tony Walker

Record current account deficit for S Korea

By John Burton in Seoul

South Korea reported a record current account deficit of $9.29bn for the first half of 1996 – an indication that it will exceed the government's recent estimate of a record $11bn-$12bn for the full year.

The half-year deficit was 56 per cent higher than in the same period a year ago and exceeded the figure of $8.95bn for all of last year.

Central bank officials said it was unlikely the current account deficit would improve significantly in the second half because of structural problems in the economy.

The trade deficit increased 20 per cent to $5.21bn because of a sharp fall in international prices for key Korean export products such as semiconductors, petrochemicals and steel.

The unit price of 16-megabit dynamic random access memory (Dram) chips on global markets dropped about 70 per cent in June from a year earlier, when it was $45-$50. Semiconductors account for about 20 per cent of Korea's exports.

A weaker yen is also undercutting the competitiveness of Korean products, such as cars and ships, against similar Japanese goods.

Exports grew by 12.2 per cent to $64.5bn, while imports rose 12.8 per cent to $69.7bn.

A 125 per cent surge in the invisible trade deficit to $3.53bn was largely blamed for the growth in the current account deficit.

This reflected a rising travel deficit, which has jumped to $1.17bn from $373m a year ago, as more Koreans travelled abroad and the number of foreign tourists to Korea dropped for the first time in 16 years.

In an effort to stem the current account deficit, South Korea's President Kim Young-sam has urged Koreans to cut the purchase of imported "luxury" products and to curb overseas travel.

Koreans are spending more overseas, where consumer products are cheaper than in Korea with its protected domestic market and inefficient distribution system.

In other measures to combat the deficit, the government recently imposed a $5,000 limit on use of credit cards overseas, while it is considering a Won20,000-Won30,000 ($24.60-$36.80) exit tax for tourists going abroad.

Meanwhile, the tax office is launching an investigation into importers of "luxury" foreign goods, while the customs service has stepped up examinations of baggage to find any smuggled foreign products.

ASIA-PACIFIC NEWS DIGEST

Industry output falls in Japan

Japan's economic recovery continued unevenly last month with a sharp fall in industrial production after increases for three months. Output from the nation's factories and mines fell 3.9 per cent in June from a month earlier, but government statisticians were quick to point to aberrant factors. Car production was especially weak, an official at the Ministry of Trade and Industry said, largely because June had two fewer working days than last year, while May had one more. The fall was also exaggerated by gains of 3.2 per cent and 2.4 per cent in April and May. But Miti said production "remains on a moderate uptrend", with inventory levels still high".

The ministry expects a sharp rise in July followed by a smaller decline in August. "Monthly corporate production is changing because of improving earnings and restructuring efforts," a ministry official said. "We need to look at average figures on quarterly and other bases." Second-quarter output was down overall 0.1 per cent on the previous three months. Output of smaller cars fell 10.4 per cent from May to June, with medium-sized vehicles down 11.7 per cent. Semiconductor output was weak. *Gerard Baker, Tokyo*

Samsung denies spy link

Samsung, the South Korean conglomerate, yesterday denied last week's arrest of two employees of its aerospace subsidiary was linked to industrial espionage for the company. The two Samsung Aerospace officials were arrested on suspicion of obtaining classified military procurement plans, but Samsung said their alleged activity occurred before they joined the company. "Samsung happened to be the current employer of these two former air force officers when they were arrested," a Samsung official said.

The defence ministry accused the two Samsung Aerospace officials, since fired, of passing on classified information on weapons systems to two Korean arms dealers on four occasions since 1992. The two retired air force officers were hired by Samsung Aerospace as advisers for its project to assemble 120 US-designed F-16 fighters for the Korean air force. *John Burton, Seoul*

Australian deficit falls

Australia's current account deficit dropped to a seasonally adjusted A$1.29bn (US$1.02m) in June, the smallest monthly total since March 1994 and an improvement on the revised A$2.2bn recorded for the previous month. This was due partly to a 4.1 per cent rise in merchandise exports, with rural and non-rural sectors enjoying an improvement. By contrast, merchandise imports fell 4.5 per cent. The June figure was significantly better than the A$1.6bn-A$1.8bn most analysts had been predicting, but leaves Australia's current account deficit for the 1995-96 financial year at A$20.5bn, equal to 4.2 per cent of gross domestic product. *Nikki Tait, Sydney*

Singapore to lower forecast

Singapore is likely to revise downward its 1996 forecast economic growth after a fall in exports in June, partly due to the slowdown in global demand for electronics products. Mr Yeo Cheow Tong, minister for trade and industry, said the government would probably announce a new gross domestic product forecast near August 9. The current forecast is for economic growth of 7.5-8.5 per cent. Economists expect the downward revision after news that June exports fell 6.1 per cent from the same month a year earlier. Several big companies posted poor interim results, especially in electronics and retail sectors. But demand for electronics may be reviving. *James Kynge, Kuala Lumpur*

Ekran to boost airline stake

Ekran, the Malaysian company leading construction of the $5.5bn Bakun dam in Sarawak, yesterday confirmed plans to expand its stake in Saeaga Airlines, a domestic carrier, from 20 to 50 per cent, in a move to develop a new regional airline. If successful, Saeaga would pose a challenge to Malaysian Airline System, the privatised national carrier.

Mr Ting Pek Khiing, Ekran executive chairman, said 10 new passenger jets would be needed, and this might involve buying aircraft from Boeing or Airbus Industrie. Malaysia has classified Saeaga as a national carrier, allowing it to find overseas routes. A 10 per cent share in Saeaga would be offered to Brunei, Indonesia and the Philippines, partly to secure flight rights, with 20 per cent offered to Sarawak and Sabah. *James Kynge, Kuala Lumpur*

Thailand resists devaluation pressure

Baht and stock market suffer heavy selling as inter-bank interest rates double to 20%

By Ted Bardacke in Bangkok

Thailand's central bank yesterday denied that a devaluation was imminent as the baht came under heavy selling pressure.

The stock market, too, continued to decline sharply with foreign investors abandoning the Thai market over fears the economy was heading into a prolonged slump.

Mr Rerngchai Marakanonda, the new governor of the central bank, said the Bank of Thailand had sold $340m, or nearly 1 per cent of the country's foreign reserves, to keep the baht near the official mid-rate of 25.29 to the dollar.

The Bank of Thailand also injected Bt4bn into the domestic money market as inter-bank rates doubled to 20 per cent amid concerns of an impending liquidity crunch.

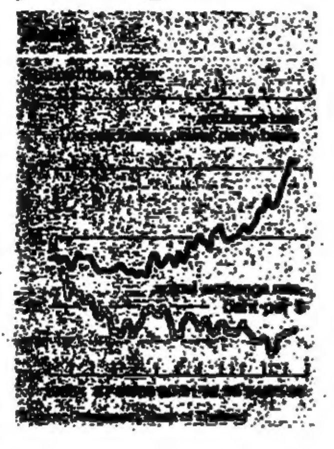
The Thai stock market closed down 1.2 per cent on the day.

The market has fallen 7.2 per cent since Monday of last week and more than 22 per cent since its 1996 high in February.

Thai financial markets are closed today as the country marks the beginning of Buddhist lent. But worries will remain when business resumes that this year's sharp decline in export growth is due to structural problems in the Thai economy and not external factors such as a fall in world demand.

Exports, which account for nearly half of Thailand's GDP, grew only 6 per cent in the first half of 1996, compared with 23.6 per cent in 1995. In revised forecasts last week, the Bank of Thailand said export growth would recover in the second half of the year to 10.2 per cent, largely on the back of improved demand in the US and Japan for key Thai exports such as textiles, canned seafood and vehicle parts.

"That's quite a sensible and achievable scenario," says Ms Arporn Chewakrengkai, chief economist for Thailand at Deutsche Morgan Grenfell. She argues that last year's huge export growth figure was abnormal, pushed up particularly by soaring commodity prices, making this year's base too high to account for much growth.



"Normal export growth is about 15 to 18 per cent but you can't expect to get that after a year of 23.5 per cent," Ms Arporn says.

Others are more pessimistic. "I expect more disappointment on the export figures," says Mr George Morgan, research director of HG Asia. He says Thailand has been losing its traditional exports to lower-cost countries such as Indonesia and China and that the high economic growth of the past few years has been spurred by investment in capacity to produce higher value added goods.

"But it's going to take a while for that investment to pay off," says Mr Morgan. "And some of that investment is in volatile industries like steel and petrochemicals. You've got to wonder whether it is indeed for export or for private domestic consumption."

One strategy to help Thailand until new industries emerge and ease dependency on exports would be a currency devaluation to keep low cost exports competitive. Yet Mr Rerngchai reiterated yesterday that the central bank had no intention of introducing currency flexibility as an economic policy tool, preferring to keep the baht pegged to a basket of foreign currencies dominated by the US dollar.

With Thai politicians so far unable to come up with any long-term coherent strategy to ensure that exports remain stable, the central bank has only interest rates to work with in trying to manage an increasingly complicated situation.

If interest rates continue to move upward, as they did yesterday, then a vicious cycle of slowing corporate activity combined with a withdrawal of foreign portfolio investment, which both helps fund the country's current account deficit and props up the Thai stock market, could develop.

Vietnam's oil agency seeks to raise $500m from foreign banks

By Jeremy Grant in Hanoi

PetroVietnam, Vietnam's oil agency and one of the country's few relatively healthy state-run companies, hopes to borrow over $500m from foreign banks in the 1996-97 fiscal year as part of an aggressive fund-raising programme.

The move comes as the Communist-ruled country is struggling to contain a growing trade and current account deficit.

"Our finance department has been in contact with different foreign banks," said Mr Do Van Ha,

head of PetroVietnam's international relations department. He declined to name the banks, but many of the over 20 foreign banks with branches in Vietnam have developed relationships with PetroVietnam.

The money would be used for a series of projects that reflect PetroVietnam's ambitions to become a regional player in the oil and gas industry.

Mr Ha said they include a controversial $1bn plan for the country's first oil refinery at Dung Quat, a remote coastal site in central Vietnam, joint development with Malaysia's Petronas of a block in waters overlapping the Vietnamese-Malaysian sea border and two oil prospects close to the Vietnamese coast. The Malaysian joint development would be PetroVietnam's first foray overseas.

Many bankers see PetroVietnam as one of Vietnam's few bankable state-owned enterprises.

It has contracts with about 30 foreign oil companies for exploration rights offshorebut Vietnam is thought keen to develop its own, independent exploration capabilities as soon as possible.

Although PetroVietnam hopes to raise $500m, most bankers say the company is unlikely to raise the whole amount.

The agency's overtures come at a time when the country is running a roughly $2bn trade deficit and a substantial current account deficit.

Any borrowing by PetroVietnam is likely to be considered public sector borrowing, which is strictly limited in a structural adjustment agreement between Hanoi and the International Monetary Fund. Public sector borrowing, which the IMF says includes borrowing by any state owned corporation, is limited to $100m per quarter, under the current programme.

"It's tough to handle (this level of borrowing) within a viable balance of payments. What really matters is not the figures but the spirit of it. Is the country building up too large a debt servicing burden?" asked one foreign economist.

PetroVietnam might be able to use oil and gas revenues instead of a government guarantee as collateral for any loan, but bankers are divided over whether this would constitute an infringement of IMF agreements.

The Communist-run country earlier this year concluded a deal with the London Club of commercial creditors, settling over $900m in arrears. Vietnam's central bank said at the time that plans for a $100m eurobond had been shelved.

● Vietnam said yesterday its trade gap widened to $2.1bn between January and mid-July.

The government's statistical office said exports during the period were valued at $3.3bn, with imports at $5.4bn. Economists say the deficit is partly caused by increasing imports of capital goods for foreign joint ventures, but also growing demand for foreign consumer products. The trade ministry expects the trade gap to widen to around $3.5bn this year from $2.3bn in 1995.

Dhaka budget aids foreign investors

By Kasra Naji in Dhaka and Agencies

Bangladesh's finance minister Mr Shah Kibria has announced fresh incentives for foreign investors in the country's stock market and pledged a cautious continuation of economic reforms.

The 252.58bn taka ($6.2bn) budget for 1996-97 cuts the deficit to 74.83bn taka from 92.57bn taka last year. Mr Kibria said the new Awami League government, installed on June 23, would reduce control in several areas and ensure economic growth by encouraging the expansion of a market-based competitive economy based on lower duties on many imports.

A new measure allows foreigners to make direct investments in all sectors apart from arms manufacturing without being part of a joint venture. The budget also removed a restriction which had prevented overseas investors from selling shares for one year after purchase.

Business leaders were critical of a decision gradually to expand the imposition of value added tax from import and production stages to wholesale and retail levels. On foreign aid, Mr Kibria said "conditionalities had become stringent. We need not only more aid but also better aid." Bangladesh is heavily dependent on foreign aid with disbursement still very slow. It has slowed to $1.45bn in 1995-96 from $1.7bn in the previous year.

Corporate tax on domestic and foreign companies which stands at 47 per cent was cut by two percentage points, well down on the recommendation of the World Bank which had advocated a reduction to about 15 per cent.

Spending was increased on agriculture (34 per cent), education (12 per cent) and defence (7 per cent).

Mr Kibria said he hoped to raise economic growth to 5.5 per cent during the current fiscal year against 4.7 per cent in the previous year, which ended in June. A career diplomat, he was given the finance portfolio by prime minister Sheikh Hasina after her Awami league took power in June.

His cautious approach contrasts with that of his predecessor Saifur Rahman, whom the new minister criticised last week for wanting to liberalise the economy too widely, too quickly.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.1	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.6	5.5	8.06	8.55	3.60
1991	6.0	3.7	5.87	7.86	3.21
1992	12.4	2.0	3.75	7.00	2.95
1993	11.6	1.2	3.22	5.88	2.78
1994	6.2	1.4	4.67	7.08	2.86
1995	-0.3	2.1	5.93	6.57	2.61
3rd qtr.1995	-0.8	3.0	5.79	6.32	2.53
4th qtr.1995	-1.8	4.0	5.73	5.89	2.38
1st qtr.1996	-2.4	5.3	5.30	5.89	2.21
2nd qtr.1996	-2.4	5.3	5.42	6.70	2.18
July 1995	-0.5	2.4	5.90	6.28	2.55
August	-0.5	3.1	5.82	6.50	2.55
September	-0.9	3.5	5.74	6.19	2.48
October	-1.5	3.7	5.81	6.03	2.46
November	-1.7	3.9	5.74	5.93	2.42
December	-2.1	4.4	5.63	5.71	2.24
January 1996	-2.6	4.6	5.42	5.64	2.26
February	-2.7	5.1	5.15	5.81	2.17
March	-1.9	6.0	5.31	6.26	2.19
April	-2.4	5.9	5.38	6.50	2.20
May	-2.5	5.3	5.39	6.72	2.18
June	-2.4	4.9	5.48	6.90	2.17

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.64	0.56
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.16	0.48
1990	2.6	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	-0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.18	0.87
1994	5.4	2.9	2.12	4.20	0.78
1995	8.2	3.2	1.12	3.39	0.86
3rd qtr.1995	8.8	2.8	0.86	3.05	0.86
4th qtr.1995	12.9	3.2	0.43	2.88	0.81
1st qtr.1996	15.5	3.1	0.49	3.16	0.76
2nd qtr.1996	15.8	3.9	0.49	3.24	0.72
July 1995	7.2	2.9	0.80	2.91	0.91
August	8.6	2.9	0.71	3.25	0.85
September	9.9	2.8	0.46	2.87	0.82
October	12.1	2.7	0.41	2.89	0.83
November	13.9	3.4	0.44	2.88	0.83
December	12.8	3.2	0.42	2.86	0.77
January 1996	14.7	3.1	0.45	3.10	0.75
February	15.7	2.8	0.50	3.19	0.75
March	16.1	3.1	0.51	3.18	0.77
April	15.3	3.0	0.49	3.23	0.71
May	15.5	3.3	0.52	3.28	0.72
June	16.6	3.9	0.46	3.19	0.71

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	9.9	7.3	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.1	8.2	9.52	7.80	2.45
1993	9.4	7.9	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.86	1.77
1995	3.7	-0.0	4.53	6.82	2.00
3rd qtr.1995	3.2	-0.7	4.41	6.68	1.96
4th qtr.1995	4.9	1.3	4.01	6.32	2.02
1st qtr.1996	9.5	5.4	3.45	6.17	1.88
2nd qtr.1996			3.33	6.47	1.87
July 1995	2.9	-1.2	4.56	6.79	2.01
August	3.4	-0.6	4.46	6.71	1.97
September	3.5	-0.1	4.19	6.56	1.96
October	4.0	0.4	4.09	6.55	2.04
November	4.4	1.0	4.01	6.32	2.04
December	6.3	2.5	3.94	6.07	1.97
January 1996	8.2	3.7	3.62	5.90	1.88
February	9.7	5.9	3.35	6.18	1.86
March	10.6	6.7	3.36	6.44	1.91
April	10.6	6.6	3.33	6.39	1.88
May	10.4	7.5	3.29	6.45	1.87
June			3.38	6.57	1.84

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	6.4	7.79	8.38	2.65
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	8.3	7.94	9.08	3.89
1989	7.5	10.0	9.40	8.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	-4.9	2.4	9.62	9.03	3.58
1992	-0.2	5.4	10.36	8.57	3.55
1993	1.6	-2.2	8.55	6.75	3.21
1994	2.7	0.8	5.84	7.21	2.89
1995	8.9	4.9	6.60	7.53	3.17
3rd qtr.1995	3.4	3.9	6.12	7.35	3.11
4th qtr.1995	8.9	4.9	6.14	7.10	3.25
1st qtr.1996	7.8	3.4	4.47	6.55	3.10
2nd qtr.1996			3.96	6.51	3.02
July 1995	0.5	3.0	6.44	7.42	3.09
August	1.3	3.9	5.96	7.30	3.06
September	3.4	3.9	5.98	7.34	3.19
October	0.0	3.0	6.89	7.47	3.31
November	2.1	3.9	5.90	7.08	3.20
December	8.9	4.9	5.60	6.76	3.23
January 1996	5.7	4.5	4.70	6.44	3.08
February	4.8	3.3	4.42	6.58	3.11
March	7.8	3.4	4.27	6.64	3.10
April	4.5	1.9	4.00	6.51	3.02
May	6.6	2.0	3.90	6.46	3.01
June			3.98	6.56	3.02

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.5	8.4	13.25	11.47	1.41
1987	10.4	9.6	11.32	10.58	1.94
1988	7.8	8.5	11.24	10.54	2.71
1989	7.1	9.3	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.63	13.20	3.45
1992	6.7	7.7	13.86	13.29	3.63
1993	4.8	7.4	10.22	11.23	2.35
1994	6.8	5.1	8.48	10.56	1.67
1995	0.8	0.8	10.39	12.22	1.72
3rd qtr.1995	0.0	0.5	10.52	11.79	1.64
4th qtr.1995	0.9	2.1	10.60	11.59	1.77
1st qtr.1996	-0.7	2.5	9.88	10.57	1.74
2nd qtr.1996			9.01	9.89	2.24
July 1995	-0.6	-0.4	10.88	12.23	1.75
August	-0.0	0.4	10.44	11.67	1.58
September	0.6	1.5	10.26	11.49	1.81
October	0.5	1.6	10.69	11.94	1.76
November	0.5	2.0	10.60	11.64	1.81
December	1.8	2.8	10.51	11.18	1.74
January 1996	0.7	2.8	10.01	10.47	1.66
February	-0.9	2.6	9.84	10.54	1.67
March	-2.1	2.1	9.80	10.71	1.90
April	-1.9	2.5	9.62	10.35	2.14
May	-1.0	3.5	8.84	9.72	2.25
June			8.65	9.59	2.33

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	4.0	15.4	11.02	10.21	4.35
1987	4.7	15.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.6	13.96	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	8.0	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.08	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.0	5.57	8.01	3.94
1995	8.0	7.2	6.77	8.16	4.15
3rd qtr.1995	5.8	8.3	6.87	8.09	4.08
4th qtr.1995	5.6	9.4	6.71	7.77	4.04
1st qtr.1996	5.6	10.2	6.28	7.72	4.15
2nd qtr.1996	6.4	10.0	6.06	8.06	4.08
July 1995	5.7	8.1	6.89	8.23	4.11
August	6.1	8.5	6.88	8.10	4.07
September	5.5	8.3	6.83	7.92	4.08
October	5.2	9.0	6.81	8.09	4.04
November	5.6	9.4	6.73	7.76	4.05
December	5.7	9.8	6.57	7.48	4.04
January 1996	5.3	10.6	6.45	7.41	4.19
February	6.1	10.1	6.24	7.72	4.08
March	5.4	9.9	6.14	8.05	4.19
April	5.6	10.0	6.09	8.05	4.02
May	6.3	10.0	6.12	8.09	4.08
June	7.3	10.1	5.94	8.05	4.15

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Employers say greater certainty over Emu membership would benefit business

Single currency position 'damaging'

By Gillian Tett,
Economics Correspondent

The government's determination to delay a decision on UK membership of a European single currency until after the next general election may be damaging British interests, the Confederation of British Industry, the UK's largest employers' lobby, has told MPs.

In private evidence submitted to the Treasury select committee, the CBI admitted that although it had previously supported the government's "opt out" on European monetary union, it now believed companies could benefit from greater certainty.

"At Maastricht the CBI welcomed the UK's opt-out... but now the value of increased certainty about the scenario may outweigh the opt-out's benefits in terms of policy flexibility," it reported.

The comment reflects increasing concern that uncertainty over Emu has left UK businesses insufficiently prepared for the project.

The CBI and British Chambers of Commerce are preparing to establish the first joint working group to assess the impact on business if the UK joined or stayed outside Emu.

The move also reflects fears that competitors in France and Germany are stealing a march on the UK in their preparations.

The Treasury committee's report showed that MP's themselves were now increasingly confident that "Emu would go ahead within the next few years – at least with an inner core of members".

Mr Clive Betts, an opposition Labour MP on the committee said: "There is a unanimous view that the single currency will go ahead – that position has become stronger as the year has gone on."

However, Mr John Redwood, who mounted an unsuccessful bid for the governing Conservative party leadership last July, has led rightwing calls for Mr John Major, the prime minister, to rule out Britain's entry to a single currency in the lifetime of the next parliament. He is expected to step up his demands in the run-up to the Tory party conference in October.

However, with the cross-party Treasury committee deeply divided on the benefits of Emu membership, its report refused to draw any conclusions. Instead, it argued that more information should be given about how the decision on Emu would be taken. It warned that businesses could be at a disadvantage from the uncertainty, not least because the transition period was likely to pose considerable problems for companies.

The report indicated that the estimated costs of joining Emu varied between companies. Marks and Spencer said the estimated cost of moving to the Euro would be about £100m ($156m) although £70m of this would be capital costs that would be incurred anyway.

Tesco's estimate was up to £40m, although this excluded training; Littlewoods' estimate was £5m.

MPs urge abolition of EU milk quotas

By Alison Maitland

Mr Ian Lang, the trade and industry secretary, should veto any move by the Office of Fair Trading to refer Milk Marque, the dominant force in milk supply, to the Monopolies and Mergers Commission, MPs argue in a report published today.

The MPs' report, the result of a year-long inquiry into the UK dairy industry and the European Union's dairy regime, also calls for the abolition of supply controls in the form of milk quotas by 2005 at the latest.

The quota system, which is fixed until March 31, 2000, means Britain can produce only about 85 per cent of its domestic requirements. The MPs say high EU support prices should be cut progressively to world levels, and import tariffs reduced to zero, between 2000 and 2005.

The agriculture select committee, whose members mainly represent farming constituencies, sides firmly with the producers' co-operative Milk Marque in its long battle with dairy processing companies over its prices and system of selling milk.

The report puts strong pressure on Mr John Bridgeman, director-general of fair trading, who is due to decide on a possible referral to the MMC by the end of August.

The committee accuses the Dairy Industry Federation, which represents processors, of adopting an antagonistic approach since deregulation of the milk market in November 1994.

Milk Marque, a voluntary co-operative which replaced the statutory Milk Marketing Board at deregulation, controls 65 per cent of supplies from farmers in England and Wales. The MPs admit it "is undoubtedly the pricesetter in the market".

But they say there is no convincing evidence of any anti-competitive abuse by Milk Marque which is leading to milk prices being higher than is justifiable – a central complaint of the dairy federation.

Mr Bridgeman, in evidence to the committee earlier this month, said he was concerned by Milk Marque's practice of "bundling" transport costs into the price of milk.

But the committee said Milk Marque would become "an irrelevance" if it were unable to buy, collect and collate milk into appropriate parcels for resale to its customers.

The MPs point out that the co-operative has made a series of concessions and argue that an MMC inquiry would prolong the uncertainty in the dairy industry and harm its future prosperity.

The world's first £15m ($23.25m) soccer player Alan Shearer after scoring a goal at this year's European Championship (left) while Newcastle United fans buy shirts bearing his name when his transfer to the club from Blackburn Rovers was announced yesterday

Action planned on sheep disease

By George Parker
and Alison Maitland

The UK government is planning a new campaign to eradicate the sheep brain disease scrapie, following warnings from scientists that a mutant form of the disease could emerge "at any time" and pose a risk to humans.

Last week the agriculture minister, Mr Douglas Hogg, announced new restrictions on the sale of sheep brains, after warnings that BSE – or mad cow disease – could jump species from cattle to sheep.

Yesterday it emerged that government vets have warned that scrapie, which is endemic in sheep flocks in the UK, France and elsewhere, could mutate independently, posing a potential risk.

"It is quite clear we should have a strategy for the eradication of scrapie," Mr Hogg said yesterday.

Mr Hogg's decision to act follows a report by SEAC, the government's advisory committee on spongiform encephalopathies.

Most worrying for sheep farmers is that scientists say scrapie is concentrated in the lymph nodes of younger animals – suggesting that virtually all lamb might be affected.

Until now, the government has been satisfied that scrapie has not been transmitted to humans, although the disease is believed to be the cause of BSE in cattle. Crushed bonemeal from sheep was fed to cattle until 1988.

Mr Hogg said the government would fund a new research initiative with the aim of removing scrapie from the UK. He hopes the European Union might back the programme.

Prof John Pattison, chairman of SEAC, said eradicating scrapie would be a long and difficult process.

It may, however, be possible to farm only breeds that show resistance to the disease.

Blair faces row over low pay

By Robert Taylor
in London

Conflicts over low pay and trades union rights that could seriously embarrass Mr Tony Blair and the Labour party in the run-up to the general election are expected at this year's Trades Union Congress

Delegates will be asked to endorse a statutory national minimum wage of £4.26 ($6.60) an hour, according to the TUC preliminary agenda released last night.

Unison, the public service union and the largest in the TUC, is pressing for the controversial figure in a motion that also says it should be eventually increasedto two thirds of average earnings from an initial target of half male median earnings.

The Unison motion adds that £4.26 an hour must be "pursued without any discussions or negotiations to achieve the introduction of a national minimum wage".

Mr Blair has already rejected both any formula and a target figure for setting a minimum wage. Instead, he has committed a Labour government to create an independent low-pay commission.

A row over a low-pay figure was narrowly avoided at last year's conference after strenuous behind-the-scenes pressure.

Other large unions are also lining up behind a TUC commitment to over £4 an hour. The GMB general union says a Labour government should "attach very high priority to the introduction of a legal minimum wage of more than £4 an hour" while the TGWU general union says it wants a statutory minimum based on half male median earnings.

Mr John Monks, the TUC's general secretary, said: "The agenda reflects a mature and confident trades union movement wishing to play its part in building a prosperous and competitive Britain."

Council snub for British workers

By Robert Taylor,
Employment Editor

CRH, Ireland's second largest manufacturing company, plans to exclude its 3,035 British employees from the European-wide consultative works council it is creating for its labour force to comply with European Union law.

It will be the first company to do this although the UK opt-out from the Maastricht treaty means employers are not required to include UK employees in a company-wide works council under the legislation.

The legally enforceable directive which comes into force on September 22nd in all EU member states except the UK requires every company employing 1,000 workers with 150 or more in at least two member states to establish a consultation and information committee for their employees.

The legislation was passed by a majority vote of EU member governments under the social chapter of the Maastricht treaty and therefore does not apply to the UK.

However, so far 16 UK-owned companies have created works councils that cover their British employees and a further 24 are being negotiated, according to the Trades Union Congress. It estimates that 105 UK-owned companies will have to create works councils for their mainland European employees.

The decision by CRH to create a company works council without British employee participation is seen as an embarrassment to Mr Padraig Flynn, the Irish EU social affairs commissioner, who has repeatedly pointed out that all the companies that have so far created works councils under the directive have decided to include their UK workers despite the British opt-out.

CRH, which manufactures building products, employs 15,000 workers with 2,450 in Ireland and just over 3,700 in mainland Europe, primarily in Holland. Its 3,000 employees in the UK work mainly in the midlands, employed by three companies in the group - Keyline Builders Merchants; Forticrete; and Combat Polystyrene.

The Irish Congress of Trade Unions and Siptu, the republic's services union are organising a European-wide campaign against what CRH is proposing. They are seeking to mobilise worker opposition, particularly in Holland where the company has extensive business operations.

The company said last night that employees had been consulted individually and meetings had been held with the trades unions.

But the unions are calling on the 2,450 Irish employees of the company to reject in a ballot what the company wants.

Consumer borrowing slows unexpectedly

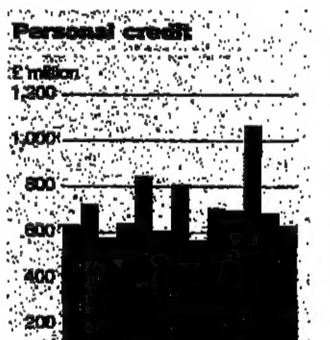
By Graham Bowley,
Economics Staff

Consumer borrowing slowed last month to its lowest level since January, official figures showed yesterday. This was in spite of the strong pick-up in town-centre sales in June.

The Bank of England – the UK's central bank – said net consumer credit rose a seasonally adjusted £636m ($992.16m) in June, down from £691m in May and after a record £1.06bn in April.

Robust spending on retail sales last month prompted expectations of stronger consumer borrowing.

But the weaker-than expected figures suggest spending was financed by cash rather than by borrowing as consumers' incomes have strengthened.



Overall borrowing by the personal sector rose £6.6bn in the second quarter, the biggest quarterly gain since 1991. Both the Bank and the Treasury have said they expect consumer activity to strengthen further as this year progresses.

About £183m was borrowed on credit cards, compared with £190m in May and £312m in April. Mortgage lending was £1.4bn, down from £1.7bn in May, but still above levels earlier in the year.

Lending by banks declined to £255m from £522m in May. Most new borrowing was due to lending by non-bank specialist lenders, which more than doubled to £368m.

The Bank of England revised up its estimate of the annual growth rate in June of M4, the broad measure of the money supply, from 10 per cent to 10.1 per cent.

M4 growth still far exceeds the government's monitoring range of between 3 per cent and 9 per cent. This has prompted some concerns that it may fuel inflationary pressures in about two years' time.

But a large proportion of the M4 growth was due to borrowing by companies, which may signal increased investment, or be linked to takeover activity.

The Bank has argued that the latter effect may mean M4 growth is not inflationary and will slow as companies pay back their loans once the takeovers are completed.

Mr Kenneth Clarke, the chancellor of the Exchequer, meets Mr Eddie George, the governor of the Bank of England, today for their regular inflation and interest rate discussion.

Economists think the chancellor is likely to leave rates on hold at 5.75 per cent, following the recent evidence of strengthening consumer spending and signs that manufacturing may be recovering.

Separate figures published yesterday from the British Bankers Association showed lending by the UK's large banks to consumers rose strongly over the whole of the second quarter. It rose £1.1bn, the largest quarterly increase since the association's series began in 1991.

UK NEWS DIGEST

Arms divide Irish peace talks

Northern Ireland's multi-party talks reached agreement on a procedural matter yesterday, but the nine parties were unable to agree a common position on arms decommissioning.

Mr George Mitchell, the former US senator and talks chairman, said it was "but a first step" and stressed the agreement on rules represented "meaningful progress". Mr Mitchell, who left the talks yesterday to fly back to the US to attend a family funeral, dismissed weekend press reports that he was about to quit. The parties are expected to reconvene in September to agree an agenda. The modest progress will help to divert attention from the dispute in Londonderry over a protestant Apprentice Boys march on August 10 which is opposed by a nationalist residents' group. *John Murray Brown, Belfast*

■ ECONOMY

Treasury rules out tax cuts

Tax cuts in November's Budget are unlikely to be economically prudent or politically desirable, the Treasury has concluded, in a move which will alarm the governing Conservative party's right wing.

Instead, the chancellor of the Exchequer, Mr Kenneth Clarke, and his chief secretary, Mr William Waldegrave, want to re-establish the government's reputation for sound management of the public finances. Their caution on tax cutting may bring them in to conflict with Tory rightwingers, led from the backbenches by the former minister, Mr John Redwood. *Robert Peston, London*

■ MAIL DISPUTE

Leftwingers threaten peace deal

Leftwingers on the executive of the Communication Workers' Union were last night threatening to resume the mail dispute by scuppering the peace deal negotiated by their general secretary, Mr Alan Johnson.

The proposed settlement involves several important concessions by Royal Mail to end the rolling programme of strikes that has threatened its monopoly on letter services. However, Royal Mail continues to insist the union must accept the principle of team-working. It is this demand that the opponents of a deal on the executive reject.

Any return to disruption of the postal services is likely to put pressure on the government to suspend its monopoly in letter services.

● Aslef and the RMT, the rail unions, said yesterday they had drawn up jointly agreed new proposals to resolve the London Underground dispute which they will put to London Transport at negotiations due to resume at Acas, the conciliation service, this afternoon. *Robert Taylor, London*

■ TELEVISION

New channel to convert 10m sets

Channel 5, the new television channel due to come on air on January 1, intends to retune nearly 10m videos and television sets over the next five months in the biggest UK door-to-door public service operation since conversion to North Sea gas.

Stock market analysts doubted that Channel 5 would be able to keep the cost of retuning within its estimated budget of £55m ($85.8m). Mr Neil Blackley, media analyst at Goldman Sachs, the US investment bank, predicted that the final tally would be £75m, with an additional £18m spent on marketing.

Channel 5, backed by a consortium including Pearson (owner of the Financial Times) and United News & Media, needs to retune videos and TV sets because interference may affect broadcasts in half the homes capable of receiving its service. *Alice Rawsthorn, London*

■ LONDON

Growth forecast at 4.3%

London's economy is forecast to grow at an above-average 4.3 per cent in 1996 and 3 per cent next year, according to the London Chamber of Commerce and Industry's quarterly economic report published yesterday.

In spite of its prediction of "healthy growth in London over the next few years" the latest results from the chamber's London economy model, produced with the Centre for Economics and Business Research, represents a downward adjustment on previous forecasts.

The main cause for caution is a "less optimistic outlook for the finance sector", even though finance remains one of the areas on which the London economy will be relying for its growth. Forecast growth in manufacturing has also been downgraded. *Alan Pike, London*

■ REFORM

Majority voting 'unnecessary'

The European Union's common foreign and security policy can be made more efficient without introducing majority voting, the UK Foreign Office said in a paper published yesterday.

In a six-page submission to the inter-governmental conference on EU reform, the Foreign Office also proposed strict terms of reference for the individual it would like to see appointed as an external representative of the EU. By endorsing the idea of appointing such a representative to speak for the EU in foreign policy matters, Britain seemed to be moving closer to the position of France, which favours greater visibility for the EU in world affairs. *Bruce Clark, London*

■ AIR SAFETY

British Midland resignation

British Midland said yesterday its technical director had decided earlier this year to leave the company of his own accord to take up another position. His decision to leave was not connected with the publication of the Air Accidents Investigation Branch report into an incident involving a Boeing 737. *Michael Skapinker, London*

Space policy welcomed amid calls for more funds

Government report says that future of programme is dependent on reform of the European agency

The government's long-awaited report on UK space policy last week included a sobering warning that the industry's technological capability was being "eroded because of insufficient investment" particularly in emerging and niche technologies.

The report said the competitive position of UK suppliers was being challenged by industrial integration in the US, which had led to more strategic investment. The report also said that the future of the UK space programme depended on reform of the European Space Agency, but that the UK's influence was limited by the size of its contribution.

However there was also a more upbeat side to the story. The industry's morale had improved after a period when it was dogged by arguments about budgetary constraints, the absence of an industrial space policy, public apathy and the government's reluctance to join in the European Space Agency's most prominent projects.

The industry – which employs 6,200 and had a turnover of £710m ($1,107.6m) in 1993-94 – was growing at a "vibrant" 10 per cent a year, said Mr Pat Norris, the chairman of the UK industrial space committee.

The report, released last Wednesday after months of consultation with the industry, was largely well received. After nearly a decade in which corporate decision-making had gone on without any clear idea of the government's plans, the industry was "delighted" that the government had produced a written policy, said Mr Norris.

"Given the constraints placed on the government, you would give this high marks," said Mr Andrew Roberts, the marketing director (UK) of Matra Marconi Space, which is by far the largest supplier to the UK industry.

The document does little to change the direction of government space policy, established 10 years ago, when it was decided that the UK should concentrate on "putting space to work". The government's policy is "to invest in space where there are clearly identifiable returns to the taxpayer" and "to engage private capital in space activities and promote market mechanisms", says the report.


Blast-off: the doomed Ariane 5 launch

Mr Norris pointed out, however, that the government's emphasis on private finance was impractical for pan-European projects where other countries were entirely reliant on public funds.

The government's priority remains with the remote-sensing earth-observation programmes, which account for nearly half of the UK's civil space expenditure. The government wants to see this industry - which provides data for meteorology, climate studies, environmental monitoring, resource exploration and cartography - become self-funding by 2005.

After earth observation, the government's main emphasis is on space science. "The advances made in space science have caught the imagination of a wide public and are among the most visible returns on space investment," the report says. This received a severe setback with the loss of the Cluster space science project when Ariane 5 exploded in June.

The immediate challenge in space science is to find a way of resurrecting the Cluster mission, without jeopardising other projects.

The disappointment at the loss of Cluster has been partly offset by the success of other space missions and the excellent results from the Hubble Space Telescope, according to Mr Paul Murdin of the particle physics and astronomy research council. "Two years ago, the science community would have said that their prospects were gloomy," he said. "Now the feeling is that it is a glorious success."

Mr Murdin believes that space science is the flagship of space activity in the UK: "Earth observation may have the largest practical impact, but space science has the bigger effect on the morale of the UK industry," he said.

Vanessa Houlder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday July 30 1996

IN BRIEF

Mannesmann unit hit by US venture

Mannesmann, the German engineering and telecoms group, said Demag, its biggest subsidiary, would report unspecified losses this year because of difficulties in a contract to build a steel plant in the US. Demag said its results would also be hit by an unspecified restructuring charge following the merger of the group's engineering and plant activities. Page 15

Alfa plans telecoms expansion
Alfa, the Mexican industrial conglomerate, plans to extend its investments in telecommunications to cover local as well as long-distance telephony. The company also intends to bid for one of Mexico's state-owned petrochemical complexes if the government revives its stalled privatisation plan.
Page 14

Bull restates profits aim despite loss
Groupe Bull, the troubled computer company controlled by the French state, announced losses of FFr612m ($122m) for the six months to June 30. It restated its aim of returning to substantial profits for the full year. The losses came in spite of the group's return to the black in 1995 with net income of FFr306m, the first year in which it had reported a profit since 1988.
Page 15

Henderson takes up Dalgety challenge
Sir Denys Henderson, former chairman of ICI, has been chosen as the new non-executive chairman of Dalgety, the UK foods group, as it seeks to overcome the turmoil in Britain's beef industry and make a success of its drive to become Europe's second-biggest pet food producer.
Page 16

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AEG	153	+	5
CKAG Col Kar	1135	+	35
Ind Werke	295.5	+	4.5
Lahmeyer	385	+	25
Wella	882	+	17
Falls			
GEHE	105	-	16
NEW YORK ($)			
Rises			
Diana Corp	34¼	+	2¼
Digital Equip	37	+	2¼
Reebok Intl	34¼	+	3¼
Falls			
Foundation Hlth	29	-	1¼
Newbridge Ntwk	43	-	5¼
Weatherford	28¼	-	2¼
LONDON (Pence)			
Rises			
Corporate Serv	181	+	11
Johnson Fry	142½	+	12½
Falls			
Kode Intl	94	-	18
LBMS	95	-	20
Phonelink	141	-	31
Porvair	334	-	71
TORONTO (C$)			
Rises			
Architel Sys	8.7	+	0.7
Consol Eurocan	5.7	+	0.55
Hemosol	8.7	+	0.94
Sceptre	26	+	2
Falls			
Inveh Tay A	4.3	-	0.95
Newbridge Ntwk	58.05	-	6.8

PARIS (FFr)			
Rises			
BTM-Entreprise	208.8	+	8.8
Intertechnique	358	+	8
Sommer-Allibert	116.7	+	3.7
Falls			
Icon France	831	-	14.9
Peugeot	573	-	18
Seb SA	584	-	12
TOKYO (Yen)			
Falls			
Ishibers Sng	388	-	18
JEOL	785	-	34
Kanematsu	617	-	55
M'bishi Plastics	565	-	15
Nagasakiya	781	-	71
Total Carbon	545	-	31
HONG KONG (HK$)			
Rises			
Climax Intl	1.2	+	0.08
Four Seas Mer	3.8	+	0.175
Falls			
ASM Pacific	6.2	-	0.2
First Pacific	11.2	-	0.5
Intl Bk Asia	4.8	-	0.3
YGM Trading	8.85	-	0.5
BANGKOK (Baht)			
Rises			
B Grimm Eng	24	+	2
Precious Ship	94.5	+	8.5
Trang Sea	29.0	+	2.5
Falls			
Prakit & FCB	82.5	-	6.5
Samaggi Ins	59.5	-	6.5
Sanshi	39.5	-	4.25

New York & Toronto prices at 12.30.

Länder join forces on bonds launch

By Conner Middelmann

Several German federal states, or Länder, plan to collaborate for the first time in the capital markets by jointly issuing "jumbo bonds", the first of which is expected by mid-August.

By pooling their borrowings, the states hope to heighten their profile in the international capital markets ahead of European monetary union.

"When the Euro is introduced in 1999, the protection we get from issuing debt in D-Marks will fall away," said Mr Georg Schwarz, head of debt management at the finance ministry of Rhineland-Palatinate. "The German government will always remain a top-rated issuer, but regional borrowers like us will have to compete with other regions in Europe and it will be harder for us to stand out."

By issuing large, liquid bonds, the states also hope to lower their funding costs and entice more international investors into buying Länder bonds, which make up about 10 per cent of German public sector debt.

Currently, the states fund themselves largely by selling privately placed certificates, or *Schuldscheine*, and small-sized issues of bearer bonds, both of which are very illiquid. However, if the inaugural Länder-jumbo issue goes well, more may follow.

"Although the Länder don't want to give up silent financing through *Schuldscheine* at the present stage, regular issuance of Länder jumbos is very likely," analysts at Deutsche Morgan Grenfell predict. The federal states are expected to have a total budget deficit of DM48bn ($32bn) in 1996, compared with DM72bn for the federal government, they say.

Under the new plan, several states would jointly launch bond issues totalling between DM2bn and DM4bn and divide the proceeds among themselves. The states would not adopt joint liability for the bonds, but each state would guarantee its own portion of the debt. The issuers are not expected to form a separate legal entity.

Under the principles of the German federal system, the Länder jumbos should have a credit quality similar to German government bonds, DMG's analysts say.

Representatives of the interested states aim to resolve questions concerning issuance procedures and legal matters this week. The states have consulted with a number of German and foreign banks as they are keen to develop a transparent secondary market with tight spreads between bid and offer prices and a market-making system.

Seven of Germany's 16 federal states – Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein and Saxony-Anhalt – hope to take part in the first issue, but other states could join, bankers said. Bavaria, Baden-Württemberg and Lower Saxony have so far declined to participate.

Lufthansa seeks DM190m in cost savings

By Michael Lindemann in Bonn

Lufthansa, the German airline, is to cut flights to some routes and reduce staff as it strives to save DM190m ($126m) in costs this year.

The company said that for the first time in its history it had to introduce what it called "a supplementary budget" designed to make up for lower than expected earnings. It recently reported a 47 per cent fall in pre-tax earnings to DM100m.

Mr Peter Hach, the group's controller, said Lufthansa would have to "fundamentally rethink" its strategy in order to ensure that group earnings exceeded DM1bn by 2000 – a level, he said, "which the capital markets and shareholders expect from us".

"We have to tackle the costs because, realistically, higher earnings in the second half of 1996 will not make up for the shortfall in the first half," Mr Hach told the employee magazine, Lufthanseat.

In spite of the lower first-half earnings, Mr Jürgen Weber, chief executive, said this month that Lufthansa's 1996 earnings would match pre-tax profits of DM756m last year.

The Lufthanseat article said that the airline had transported 2.2 per cent fewer passengers in the first six months and that capacity utilisation had fallen 3 per cent to 64.9 per cent.

In line with earlier Lufthansa comments, Mr Hach blamed the poorer results on the fact that other state-owned airlines were offering fares at "dumping" prices.

"The market in Germany is growing," Mr Hach said, "but we are not participating because competitors are taking away passengers in our home market with lower fares."

The cost reduction package means that all Lufthansa divisions have been told to find savings of 3 per cent in their administrative costs in the second half of this year.

The airline will also take a number of flights out of service: European routes will have to do with one aircraft less from September 1 and four further aircraft will be taken out from November 1. Two Airbus A310-300s will be taken off the Middle East routes during the winter timetable.

Fewer flights would mean savings on landing fees and maintenance costs, Mr Hach said.

The company, which employs about 57,500 people, did not specify how many jobs would be lost.

Mr Hach said Lufthansa would have to make more aggressive costs forecasts which were not, as had previously been the case, planned on the basis of expected turnover.

"That is supposed to enable us to still achieve our forecast earnings when turnover turns out to be lower than our expectations."

Nasdaq awaits the sounds of Muzak this week

By Lisa Bransten in New York

Muzak, the company that provides easy-listening tunes in lifts, is expected to go public on the Nasdaq stock market later this week.

The company bills itself as the leading purveyor of "business music" in the US where it sends out tunes in 178,000 locations through satellite signals and by long-playing cassette tapes.

Muzak also sells its services outside the US through a network of distributors and estimates that 80m people are exposed to its sounds across the globe each day. In the US, its clients include Taco Bell, McDonald's and Wal-Mart.

The company also provides non-music audio such as in-store advertising and it plans to increase offerings of video and Internet transmissions.

Sounds coming from the stock market, however, may be less soothing for Muzak. Turbulent market conditions have made for a difficult couple of weeks for initial public offerings and some market watchers say Muzak's large level of debt does not make it a great candidate to weather the storm.

"In this market it is probably going to languish," said Mr David Menlow, president of IPO Financial Network, a New Jersey-based firm that projects the opening premiums on initial public offerings. He added that the deal may well be priced below the $14-$16 a share estimated in filings with the Securities and Exchange Commission.

The company accumulated a large amount of debt in a 1992 leveraged buyout that has prevented a profit for the past three years. The company recorded an operating profit of $1.7m on revenues of $87m last year, but debt payments of $7.5m led it to a net loss of more than $5.7m.

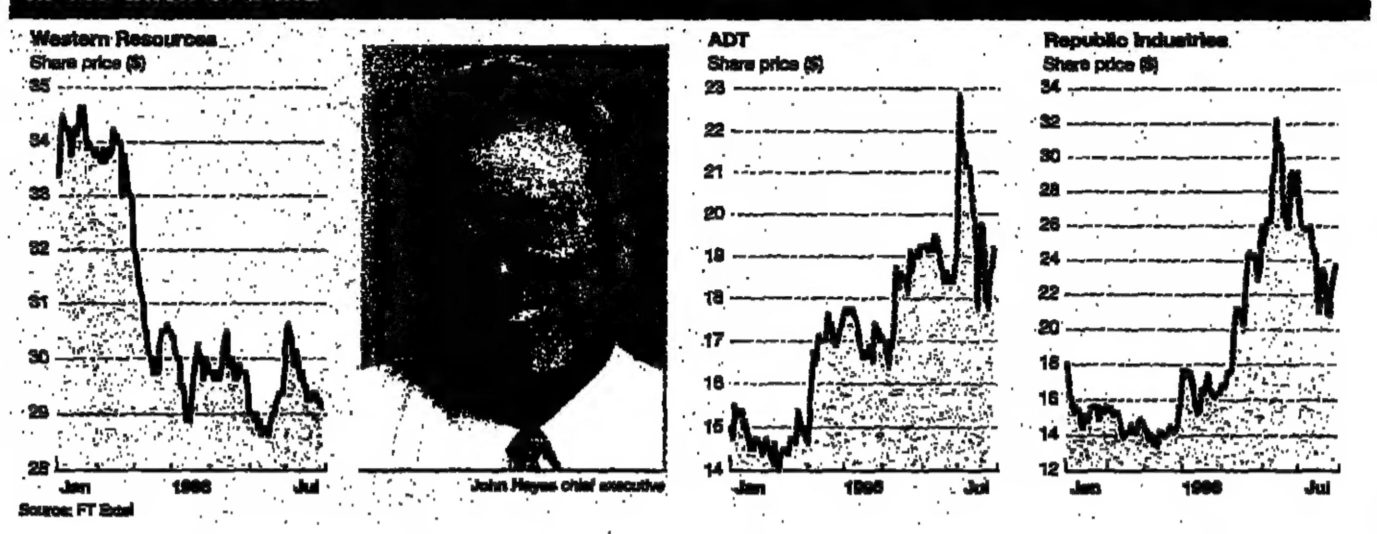
If its shares are priced at $16, the offering would bring in about $73.6m and give Muzak a market value of about $183m. Most of the proceeds would be used to pay down debt, but some would go to limited partners who are selling their shares. Even after reducing debt with the proceeds of the IPO, Muzak does not expect to earn a profit in 1996. The company's record of revenue growth has also been sporadic. In 1994, sales advanced 42 per cent but last year they grew just 4 per cent.

The offering is being managed by Paine Webber and Montgomery Securities.

Muzak was formed in 1934 by General George Owen Squier, chief of the Army signal corps, who went on to send music into factories during the second world war. Now, in addition to instrumental versions of pop classics, Muzak offers songs by the original artists including Janet Jackson and Garth Brooks.

Richard Waters looks at the links in two US takeover battles

In the thick of a bid



Hayes seeks security for his Western Resources

Mr John Hayes, the affable Kansas City native who heads Western Resources, finds himself in the thick of two of the more intriguing multi-billion dollar takeovers that are playing out in the US this summer.

On the face of it, each seems to have little to do with the other – except for their shared link to Mr Hayes's mid-Western gas and electric company. One is the $1.9bn battle for control of Kansas City Power & Light, a power utility with 430,000 customers in Missouri and eastern Kansas. The other, Mr Wayne Huizenga's offer for ADT, a security and used car company, which at current stock prices is worth $2.9bn.

To hear Mr Hayes talk about it, though, the fate of the US's home security and electric and gas industries are intertwined. And it is Western Resource's ambition to be a national leader in both that explains its central role in this summer's deals: as a hostile bidder for KCP&L and, in the role of ADT's largest shareholder, as the company that could upset Mr Huizenga's plans.

Mr Hayes's vision of the overlap between security and power is based largely on what he believes are linked marketing opportunities. Customers of both are searching for the same values from their suppliers, he says, defining these as: "Efficiency, safety, comfort, security."

He makes no claims for any commonality between the technologies of the two industries (the signals that allow a home security company to monitor a customer's premises are carried over a standard telephone line, for instance, and Western does not want to get into the communications or entertainment businesses). Yet the Western chairman declares of his recent acquisitions of a number of small home security companies: "It's driven primarily by our need to grow our energy business" by finding more customers to sell power to.

If his comments about values sometimes sound whimsical and his vision of the future appears a stretch, then Mr Hayes's way of going about his business is decidedly down to earth.

Western recently picked up the 23.1 per cent of ADT's shares that had been held for years by Laidlaw, a Canadian company. Bought in two tranches, in December and March, Western paid an average of $14.40 for each of the 30.8m shares. If Laidlaw was a thorn in the side for Mr John Ashcroft, ADT's chairman, then Western Resources doesn't look like being any different.

Mr Hayes characterises the move as opportunistic: he hadn't expected the biggest stake in the world's biggest security group to come up for sale, but at that price, "we did not see a downside". The question now is: how much upside can he create from this situation?

Western has already made known, through a regulatory filing, that it may object to the Huizenga offer.

At this stage, Mr Hayes is giving little away, but says that he has made no decisions about his next move. There appear, though, to be three ways forward: to try to manoeuvre Mr Huizenga into offering a higher price; to try to wrestle away control of ADT's security business as the price for allowing Republic to take control of its used car operations; or simply to stop the deal.

In the month since the offer was announced, the stock market's slide has served to shift the initiative away from Mr Huizenga. Shares in his Republic Industries – the currency for the acquisition – have slipped faster than the market at large, from $29¾ to $23⅞. At that level, the offer for ADT is worth $22 a share compared with the $19⅝ each, at which they were trading yesterday.

In the battle for Kansas City Power & Light, Mr Hayes's intentions have been clear. The group rejected two Western offers in the past three months (the second at $31 a share) in favour of pursuing a merger with another electricity company, Utilicorp. Western's response was to take its tender offer to KCP&L shareholders, marking a rare hostile takeover offer in the normally staid sector.

The crunch comes on August 7, when the Utilicorp deal is put to the vote. In the highly regulated electricity business, successful hostile bids are rare. However, with Utilicorp's own all-stock deal worth $26¼ a share yesterday, there seems at least an outside chance that Western will succeed in provoking a shareholder revolt at KCP&L.

Another bid for an electric utility last week, Enron's $2bn offer for Portland General, has thrown the sector into sharp relief. According to Mr Ken Lay, Enron chairman, the US's biggest natural gas distributor and marketer, the division between the natural gas and electricity industries will become increasingly blurred. This view is shared by Mr Hayes, whose utility group has 650,000 gas customers and 600,000 electricity customers.

Both Mr Lay and Mr Hayes also draw the same analogy when looking ahead to a deregulated retail market for electricity in the US. It will look exactly like the telephone business, both men said last week.

Competitors will be able to rent capacity on each other's wires and will be free to fight for customers across the nation. And through a wholesale market, it will be possible to buy power in bulk, rather than have to generate it.

That suggests that the most successful companies will not necessarily be those that own the most power stations or miles of electricity cable. Instead, it will be those with skills – such as marketing and deal-making. In the latter department, at least, Mr Hayes's skills are now being put to the test.

UK mutual insurer plans £4.5bn float in June

By John Gapper, Banking Editor

Norwich Union, the UK mutual insurance group, is expected to disclose this October detailed plans for a £4.5bn ($7bn) flotation that will allow it to distribute about £700 in free shares to each of its 3m life insurance policy holders.

It is one of a number of UK life insurance mutuals that are considering plans for flotation. The move towards the stock market in the sector follows a wave of demutualisation among large building societies, led by Halifax.

Norwich Union, which decided last year to consider converting to a public company, is currently seeking approval from regulators and an independent firm of actuaries for a capital structure that would disentangle life and general operations.

Directors argue that its life policy holders, who are the owners of the business, are exposed to volatility by holding general insurance assets. These could be separated out by raising £1.8bn in cash as part of a flotation.

The directors also want to float in order to gain access to equity capital for expansion. Norwich Union already has operations in France, Ireland, Canada and Belgium, and is seeking flexibility for further growth.

Mr Allan Bridgewater, chief executive, said yesterday that Norwich Union had not reached a final decision on flotation. "We have some pretty major things to consider over the next few weeks before we make up our minds," he said.

Although it will have to raise £1.8bn of cash to separate out its general insurance liabilities, Norwich is likely to argue that this capital will be recycled rapidly back into the market when it is invested in securities.

The life policy holders will gain shares in a flotation. Norwich could contravene the regulations governing life policies by giving them cash, and thus varying the original terms of policies.

However, directors believe that this provides protection against another company seeking to disrupt the flotation. A predator would find it difficult to make a cash offer to policy holders without breaching regulations.

After initial plans for flotation and changes in the capital structure are announced in October, the group expects to move towards a general meeting next spring to approve them, followed by a full flotation in June.

Alfa broadens focus of AT&T telecoms venture

By Leslie Crawford in Mexico City

Alfa, the Mexican industrial conglomerate, plans to extend its investments in telecommunications to cover local as well as long-distance telephony. The company also intends to bid for one of Mexico's state-owned petrochemical complexes if the government revives its stalled privatisation plan.

Alfa's senior executives also said they might seek a separate listing on the Mexico City stock exchange for Alpek, the conglomerate's highly profitable petrochemicals subsidiary. Hylsamex, the steelmaking division, and the food company Sigma are already publicly traded. Mr Alfonso Gonzalez Migoya, chief corporate director, said the Alpek flotation would help raise cash for new business ventures.

The company last week reported a healthy first half, with net sales rising 8.5 per cent to 12.86bn pesos ($1.7bn) and operating profit 5.6 per cent, to 2.17bn pesos, compared with the corresponding period of 1995.

Domestic sales climbed 23 per cent to 8.94bn pesos – reflecting signs of economic recovery – while exports, at $497m, were down 4.8 per cent because of the fall in world petrochemical prices. Alfa said it expected to earn $1bn in exports for the full year.

Mr Peter Hutchison, head of telecommunications, said the focus of Alfa's joint venture with AT&T, called Alestra, was widening to include fixed wireless telephony and personal communication services – the next generation of cellular telephones incorporating data transmission and other services.

He said Alfa would bid in planned auctions of Mexico's radio spectrum. It was also selling 22m shares held in its treasury to raise some $100m for the new telecoms ventures.

Alestra had already committed $327m to the launch of long-distance fibre-optic services when the Mexican market opens to competition in January 1997, Mr Hutchinson said. More than 1,500km of fibre-optic cable had been laid.

"By January 10 1997, when competition formally begins, we will have 4,300km of fibre in the ground and a direct presence in 24 cities," Mr Hutchison said, "and we will reach a further 36 cities with rented lines."

In April, Alfa and AT&T announced they would join forces with a rival telecommunications project led by Bancomer, Mexico's second-largest bank, GTE of the US and Telefónica Internacional of Spain (Tisa).

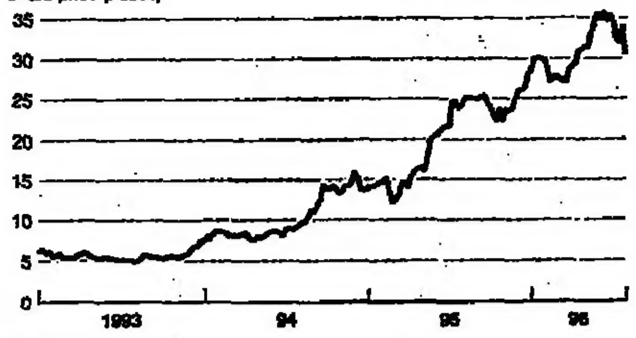
The alliance, dictated by the multi-billion dollar cost of launching long-distance telecommunication services in Mexico, raised concerns because of the number of operators involved.

Mr Hutchinson said such fears were unfounded, and that Alestra's three new partners would formally join the company in August.

"We have a long business relationship with Bancomer," he said. "They are our main bankers and we are their main client, so we expect the integration of the telecoms venture to work well."

Alfa

Share price (Pesos)



Source: Datastream

ASX to vote on demutualisation

By Nikki Tait in Sydney

The Australian Stock Exchange is to ask its stockbroker members to vote in October on a "demutualisation" proposal, a move that could dramatically restructure the organisation of share trading in Australia.

At present, only the 500-plus members of the stock exchange are entitled to call themselves stockbrokers. They pay annual membership fees to the ASX, ranging from A$25,000 to A$250,000 (US$19,700-$197,000). Under the proposals, the exchange would move from being a company limited by guarantee to one limited by shares.

Existing members of the exchange would be allocated stock in a corporatised entity.

However, under the new system, there would be no obligation on stockbrokers to hold shares in the ASX. Instead, the authorisation to act as a stockbroker would come from a contract between the firm/individual and the ASX. This would be backed up by a formal system of accreditation.

The "demutualisation" idea, and the notion that the ASX needs to rid itself of the "private club" image, has been circulating for several months. Like the London stock exchange, the ASX abolished fixed commissions in the 1980s.

Mr Maurice Newman, chairman of the ASX, said yesterday that the current structure had served the ASX "very well", but stressed that the exchange needed to be structured "appropriately" to complete internationally. "It may well be that the present structure should continue . . . Alternatively, it could be that the time is right to change in order to meet the challenges of the future," he said.

For demutualisation to go ahead, 75 cent of ASX members will need to be in favour. Even with this level of support, any implementation of a new structure would take many months, since federal legislation would also be needed.

Ms Karen Byrne, chief general counsel at the ASX, said that early 1998 might be a feasible target.

If the ASX were to issue shares, one issue yet to be resolved is where these would trade. The ASX says it would "hope to obtain a very liquid market".

However, listing ASX shares on the ASX – the most obvious home – raises the question of devising some means of independent supervision.

Lex, Page 12

Spin-offs turn heads in Hong Kong

Interest is centred on infrastructure companies, writes Louise Lucas

Spin-off fever has hit Hong Kong. Since October, when New World Development hived off its infrastructure activities in a separate listing, developers have raised some HK$8.5bn (US$1.1bn) internationally by spinning off Chinese infrastructure or property activities, and analysts reckon the trend is likely to continue.

There are two catalysts for the trend: the growth in the size of subsidiaries of conglomerates, and a relaxation of the rules for infrastructure companies floating on the Hong Kong market, in particular the requirement for a three-year track record.

"Some of the subsidiaries of conglomerates are reaching a size that is ripe for listing," says Mr Mike Warren, analyst with Morgan Stanley Asia.

He cites as examples Orange, the UK mobile phone operator spun off from Hong Kong conglomerate Hutchison Whampoa and floated on the London stock exchange, where it joined the benchmark FTSE-100 index; and DragonAir, the regional airline under the umbrella of Swire Pacific, another conglomerate, which is due to be floated later this year.

For the companies themselves, listing is a useful means of raising cash for a subsidiary with long-term projects without increasing the company's overall gearing.

Investors applaud the creation of new, more focused entities, and with it greater transparency through the release of information for listing purposes.

The listing allows them to invest in what is often the engine of growth for the parent company's share: Mr Warren points out that New World Development was the top performing stock in the benchmark Hang Seng Index last year, driven heavily by infrastructural activities. Since these were spun off as NWI, the unit's share has risen some 30 per cent above its issue price, he says.

Focusing attention on part of the business can unlock its value. But as with any trend, companies will seek to capitalise on the vogue without necessarily coming up with the goods. Henderson China was oversubscribed, but its performance on the market has been unimpressive. And Cheung Kong Infrastructure (CKI) made a flat debut when its shares started trading.

Bankers avoid assessing infrastructure-linked shares in terms of price/earnings multiples, because the long lead time before earnings come through means that they are usually high.

For example, CKI was priced on a prospective p/e of around 21 times prospective earnings. But Mr Eammon McManus, director and head of corporate finance and equity capital markets at HSBC Investment Banking, says that the existing cements business is valued at a cheaper 11.5 times, but the infrastructure-related portion at more than 30 times.

Bankers prefer to assess shares on the discount to the net asset value: CKI and NWI were both priced at discounts of just below 5 per cent. Such number-crunching has also brought dividends for the parent companies.

As Mr Alan Hutcheson, research manager at Deutsche Morgan Grenfell Hong Kong, notes: "NAV estimates of the parent companies have risen as a result of the additional information coming through – on a HK$50 stock, analysts may be adding HK$3 to the NAV."

The picture is not uniformly rosy, however. Road King Infrastructure, which came to market earlier this month, was only marginally oversubscribed and on its first day's trading closed 8.3 per cent below the issue price. CKI – spun off from Cheung Kong, a property developer which, like Hutchison, is controlled by local tycoon Mr Li Ka-shing – has drawn criticisms of high pricing.

Green Island Cement, which contributes the bulk of CKI's earnings, was taken private by Mr Li in November 1988.

One dealer said: "Mr Li bought out the minorities for a very low price then. Now he's packaged Green Island Cement into CKI and is spinning it off at a very high price-earnings multiple."

Recent spin-offs of infrastructure subsidiaries

Company	Funds raised (HK$bn)	Date
New World Infrastructure	2.085	27 Oct 1995
Henderson China Holdings*	1.500	25 Mar 1996
Road King Infrastructure	approx 1.200	4 July 1996
Cheung Kong Infrastructure	approx 4.160	17 July 1996
Pending		
China Resources*	approx 1.000	1996
Lai Sun Developments*	approx 1.400	1997

* China property spin-offs

Sources: Hong Kong Stock Exchange, company information, market estimates

Westpac and AMP end five-year pact

By Nikki Tait

Westpac, the Australian commercial bank, and the AMP Society, the country's largest life insurer, have called off the "strategic alliance" which they set up five years ago.

The move means that Westpac will exercise its right to re-acquire Ampac Life.

This former Westpac Life operation was sold to the AMP for A$245m (US$192m) when the alliance was formed in 1991.

Westpac will buy the business back on October 1 at a price to be determined by an independent actuary. It was valued in AMP's last accounts at A$336m.

The AMP said it had "no present intention" of selling its 12 per cent stake in Westpac, and added that it would maintain its commercial relationship with the bank, which acts as the insurer's principal banker.

The alliance was formed at a time when Westpac, which carved out a reputation as Australia's leading bank in the 1980s, was suffering from bad loans and a downturn in the property market.

The profit on the sale of Westpac Life helped to offset restructuring provisions. Meanwhile, AMP's shareholding in the bank, which originally stood at 15 per cent, provided Westpac with much-needed support on the share register.

The two institutions began to unwind their relationship in 1994.

Restrictions on AMP reducing its Westpac holding below the 13 per cent level were removed.

A jointly-owned retail and superannuation unit, known as Westpac Financial Consultants, came under the bank's full management control, while the AMP took over management of the AMP Approved Deposit Fund from Westpac.

NEWS DIGEST

3M ahead despite stronger dollar

3M, the diversified US manufacturer, recorded a 10 per cent advance in after-tax profits in the second quarter, to [illegible], in spite of currency movements which wiped 5 percentage points from its earnings for the period. The Minnesota-based company reported sales of [illegible], reflecting 6 per cent growth in volumes and 1 per cent average increase in prices, offset by a 4 per cent reduction blamed on the stronger dollar.

This 3 per cent net growth in sales brought a 7 per cent advance in operating income, to [illegible], as 3M lifted its operating profit margin for the period to 17.8 per cent. The company reported earnings per share of 91 cents, up from [illegible] cents on continuing operations the year before. Earnings would have been 4 cents a share higher had it not been for the rise in the dollar, it said.

Mr Desi DeSimone, chairman, said the movement in the dollar would continue to affect the company's earnings for the rest of this year, but that growth from new products and productivity gains would still lead to "solid sales and earnings growth for 1996 as a whole".

Richard Waters, New York

Macquarie Bank listing quiet

Macquarie Bank, Australia's only big domestically-owned investment bank, yesterday made a low-key stock market debut, with its shares opening at A$[illegible] – directly in line with the former over-the-counter market price. By the close of trading, the price had eased to A$6.50, valuing the bank at around A$959m (US$755.8m).

Macquarie Bank was previously owned by a mixture of institutional investors and employees, and its shares have traded fairly actively on the over-the-counter market for some time. It said the listing, which included the issue of new shares, was not a fundraising exercise, but simply a "compliance listing". No existing shares were sold off in a public float.

Nikki Tait, Sydney

CIM Resources boosts holdings

CIM Resources, the Australian coal producer in which RJB Mining of the UK recently agreed to take a minority stake, is to raise its stake in the Stratford coal mining joint venture from 70 to 90 per cent. It will also take its interest in the Duralie joint venture from 70 per cent to 100 per cent. Both projects are in the Hunter Valley in New South Wales, with Stratford already in production and Duralie scheduled to start operating next year.

The the higher stakes will come from the acquisition of Excel Holdings, which holds the interests, for A$[illegible]m. Its remaining partner in the Stratford mine is ICA Coal, a subsidiary of Japan's Itochu group.

Nikki Tait

Dacom profits surge 44%

Dacom, South Korea's second-largest telecoms company, reported a 44 per cent increase in net profits, to Won10.[illegible] ($13.3m), for the first half of 1996 as sales climbed 75 per cent to Won310bn. The robust performance reflected Dacom's entry this year into the domestic long-distance telephony market against state-run Korea Telecom, with which it also competes in international services.

The results surprised analysts after reports that Dacom was losing market share because of technical problems associated with the lines it leases from Korea Telecom. Dacom plans to spend Won2,000bn on upgrading its own communications network by 2000.

Sales from international call services rose 12 per cent to Won130m, while local long-distance calls provided Won[illegible]. Sales from data communication service rose 23 per cent to Won28bn. Dacom forecasts that data communication services will account for 40 per cent of total sales within the next five years.

John Burton, Seoul

HK broker deal talks suspended

Shanghai International (HK), the Hong Kong-listed arm of China's biggest securities company, has suspended talks with Sun Hung Kai & Co – the local financial services group it was planning to buy into – in the absence of regulatory approval from Beijing. Shanghai said Shenyin & Wanguo, its indirect controlling shareholder, had told the board the deal could not proceed until it had received formal approval from Beijing. This sparked the temporary suspension of talks with Sun Hung Kai & Co. Shanghai International said: "There is no assurance that Sun Hung Kai & Co will resume negotiations with the company."

Shanghai International had been negotiating to buy an interest in Sun Hung Kai Securities, Sun Hung Kai's core securities business, in a deal estimated by some analysts to be worth about HK$400m (US$52m). Should the acquisition go ahead, the company may tap the markets for funds.

Louise Lucas, Hong Kong

Kuok unit raises HK$2.5bn

Kerry Properties, a unit of Malaysia's Kuok Group, said it raised a net HK$2.45bn (US$320.7m) from the flotation of 150m shares at HK$17.50 each. It told the Hong Kong Stock Exchange yesterday it would use HK$1.5bn of the proceeds for loan repayments to former shareholders, and retain net cash of HK$930m. Its gearing position would be about 10.3 per cent.

Taking into account the net proceeds and available banking facilities, the group has sufficient working capital for its present requirements, Kerry Properties said. The share offer was split 85 per cent for international placement and 15 per cent for Hong Kong public subscription.

It was originally expected to be priced in a range of HK$21.50 to HK$19.50, but Kerry Properties last week cut the range to HK$17.50 to HK$18 because of weak market conditions.

Reuter, Hong Kong

Mannesmann warns on Demag losses

By Michael Lindemann in Bonn

Mannesmann, the German engineering and telecoms group, yesterday said that Demag, its biggest subsidiary, would report unspecified losses this year because of difficulties with a contract to build a steel plant in the US.

Demag said its results would also be hit by an unspecified restructuring charge after the merger of the group's engineering and plant activities.

According to German press reports the Demag losses could run to DM350m ($236m), but Mannesmann declined to specify the shortfall. "We expect losses but it is too early in the year to give a figure which is accurate," the company said.

Mannesmann said the losses on the US steel plant, which incorporated new steelmaking technology, had arisen because the cost of the construction had been miscalculated.

The company warned of losses in Demag earlier this year but analysts were taken aback by the reported scale of the problems in the US.

Mr Joachim Funk, chief executive, said at the company's annual meeting last month that the company overall expected 1996 net profits to be "slightly" better than the DM701m reported last year.

Mr Michael Hagmann, an engineering analyst at UBS in Frankfurt, said that earnings per share forecasts might have to be scaled back by DM3, to about DM21.

Until yesterday, UBS had forecast operating losses of about DM100m at the Demag subsidiary and a merger restructuring charge of DM50m.

News of the losses comes amid signs that the stronger new orders for the German engineering sector – which had been hoped for in the second half of the year – are unlikely to materialise.

The VDMA, the association representing the German engineering industry, said yesterday that new orders in June had fallen 7 per cent in real terms compared with those a year earlier.

The more accurate three-month figures, which are less susceptible to sudden fluctuations, indicated that new orders had fallen a real 6 per cent in the three months from April to June compared with the same period a year earlier.

As part of an effort to improve its earnings, Mannesmann has sold a number of peripheral activities over the past year. Late last week the group said it had sold Tally, a subsidiary making printers, to Legal & Ventures Partners, a UK-based company.

Bull expects 1996 profit despite interim loss

By Andrew Jack in Paris

Groupe Bull, the troubled computer company controlled by the French state, yesterday announced losses of FFr612m ($122m) for the six months to June 30, while reiterating its aim of returning to substantial profits for the full year.

The losses came in spite of the group's return to the black in 1995 with net income of FFr306m, the first year in which it had reported a profit since 1988.

However, Bull stressed that most of the losses were non-recurrent charges triggered by problems in the global personal computer market, while its ongoing businesses generated an operating profit.

It said that it expected full-year net income to exceed 1995 levels.

The group reported total revenues of FFr11.4bn for the first half, down from FFr12.4bn for the same period last year, and down from FFr11.8bn in comparable terms.

The personal computer division lost FFr661m, largely as a result of provisions and first-quarter losses from Zenith Data Systems, its former subsidiary.

Zenith is included for the last time, following the transfer of the business in February this year to the US group Packard Bell.

Bull said the sale – by which it acquired 19.9 per cent of Packard Bell-NEC and 51 per cent in the company which distributes Zenith products in Europe – would allow it to remain in the market for personal computers.

The deal also affected other parts of its PC business, reducing income from both its electronic cards manufacturing operations.

High inventories and falling prices also cut revenues generated by the sale of its memory chips.

Bull said its core businesses generated profits of FFr49m for the first half, with growth in all other products and services apart from mainframe computers. It reported net financial expenses of FFr177m.

Under Mr Jean-Marie Descarpentries, the chairman appointed in 1993, Bull has undertaken a large-scale internal restructuring, hiring senior foreign executives and opening its capital to NEC of Japan and US-based Motorola, which each hold 17 per cent stakes.

The French government still holds 36 per cent of Bull's shares directly, and a further 17 per cent through France Télécom.

IPC, the Singaporean group, bought a 3 per cent stake late last year but has since resold it on the stock market.

Stork confident of case for adoption

The group sees Fokker Aviation as a good fit, says **Gordon Cramb**

Stork, the Dutch industrial group, is nothing if not pragmatic. This month it agreed to pay Fl 302.5m ($182m) to take over the profitable maintenance arm of Fokker, the failed aircraft maker.

But if a buyer comes along for the whole group, Stork may have to give up its baby. If no such purchaser appears before 1998 it can consolidate the new operations, and in effect no more Fokkers would be built. That is fine, Stork says. "Older aircraft require more servicing than new ones."

Along with an ageing population of 1,200 Fokker airliners, the unit is licensed to maintain Boeing 737 airliners and the Lockheed F-16 fighters operated by European Nato countries. It also makes parts for Airbus, among others. As a result, Fokker Aviation derives less than 30 per cent of its revenues from keeping aloft the aircraft of that name.

Fokker Aviation was created in March by the receivers of the then parent, to group its viable activities once it became clear no one was about to buy the whole company. The division employs nearly 2,400 staff, with sales this year of about Fl 600m.

The acquisition will lift turnover at Stork, which has had no aerospace interests until now, by about 12 per cent to near Fl 5bn. Although the purchase has been made retroactive to March, the costs its absorption are likely to limit the overall earnings contribution this year.

But according to Mr Jan Hovers, Stork chairman, Fokker Aviation should by next year at least match the group's target – that its divisions generate profit margins of a minimum 5 per cent before tax. In fact, pre-tax margins for Stork as a whole were only 3.6 per cent last year.

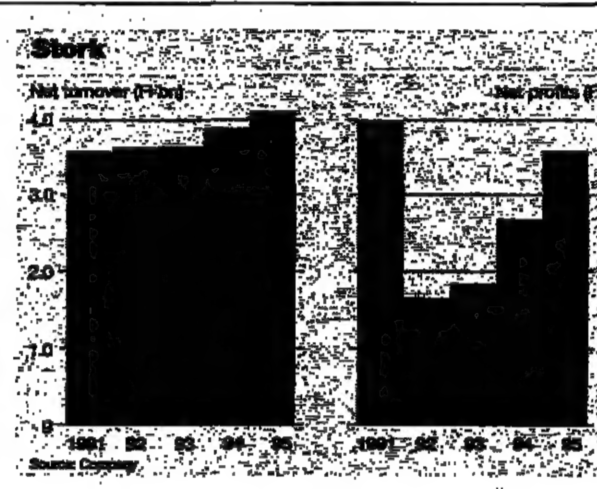
Stork regards itself as a company which "delivers technology", but it is largely seen as an industrial conglomerate, with interests spanning printing and packaging, components manufacture, technical services, engineering and contracting.

This less than dynamic image is one reason its share price has made no overall progress since 1990. The company is cash-rich, though, and is drawing on internal resources to fund the Fokker purchase, which includes the assumption of a Fl 80m loan.

Mr Herman van Everdingen, of Kempen & Co, the Amsterdam merchant bank, says that although there are few synergies between the new and existing businesses, "the risks for Stork are relatively limited". Stork's international network could help Fokker Aviation broaden the installed base of equipment it supplies and maintains, he says.

Fokker Aviation's components division draws as much as 70 per cent of sales from the international defence industry, supplying, for example, the F-16 and Stinger missile programmes. Its maintenance activities are spread evenly among Europe, the Americas, and the rest of the world.

Jan Hovers: Fokker Aviation should hit targets in 1997



Stork, the Netherlands' largest production and service company for capital goods, derives at least a third of its business from the domestic market and about the same proportion from the rest of Europe. The purchase may reduce criticism that it is too dependent on capital spending in Europe, and that many of its non-Dutch operations are too small or too limited in scope.

The company, founded in 1868, came close to collapse in the late 1970s, surviving only with the help of government loans. After a restructuring it has been in profit since 1982 and has expanded throughout the 1990s.

Stork has about half the world market for rotation screen printing machinery. This remains the dominant technique for printing on textiles, but is likely to be replaced by new processes, such as inkjet printing.

While the company has developed inkjet machines for use on fabrics, it faces a more heavyweight of competitor in this realm. Canon of Japan, a leader in inkjet technology for paper printing, is exploiting the sector jointly with Kanebo, the Japanese textiles and cosmetics company.

Stork is also the leader in poultry processing equipment and, with more than 40 per cent of the world market, is likely to benefit from a shift away from red meat among western consumers.

The group is, however, seeking to focus increasingly on knowledge intensive industries. Other subsidiaries engage in the engineering of installations for the oil and gas, chemical and power generation sectors, and Stork is an independent provider of industrial services, installing and maintaining machinery no matter what the make.

That is where Fokker Aviation best fits. An official says: "It is not one of our core activities to manufacture aircraft. Maintenance is."

The group remains willing to take a minority stake in the aircraft builder as part of a consortium if bigger industrial partners come along. This would help protect its interest in Fokker Aviation. If a bidder for the rest of the bankrupt company wanted the unit included in the purchase, Stork would be required to hand it over.

While Stork describes this as "rather theoretical" – the receivers have had no firm offer for the main Fokker company – few potential buyers are likely to ignore the attraction of FA's income stream.

Fokker maintenance revenue will flow for the next 25 to 30 years, with work projected to peak in 2002-03 at 4m person-hours a year, against 3.6m now. Stork expects turnover from Fokker Aviation to reach Fl 800m by 1998 – when it will know whether its role as foster parent has secured it full adoption rights.

Borealis first-half profits drop to DKr154m

By Hilary Barnes in Copenhagen

Borealis, the Copenhagen-based polyolefins joint venture between Norway's Statoil and Finland's Neste, saw first-half pre-tax profits tumble as the group was hit by weak prices and higher raw material costs.

Profits slid from DKr2.35bn last year to DKr154m ($17.3m) this year, while sales declined from DKr9.70bn to DKr7.46bn.

The group said the average price of polyolefins, the raw materials used in production of plastic products, were down 25 per cent on the peak levels reached in the first half of last year, while raw material costs, when converted into Danish kroner, rose by 15 per cent.

However, second-quarter pre-tax profits were DKr74m, roughly in line with the first quarter's DKr80m, and represented a continued recovery from the DKr367m loss suffered in the final quarter of last year.

Borealis said market demand remained good throughout the quarter, although it softened towards the end of the period. Sales volume was up by 4 per cent from last year, although production dropped by 5 per cent as a result of slowdowns in Norway and Portugal.

The second quarter saw important breakthroughs for Borealis. Earlier this month it signed a joint venture agreement with Abu Dhabi to build a large polyethylene production facility. Borealis will hold 40 per cent and Abu Dhabi National Oil Company the other 60 per cent.

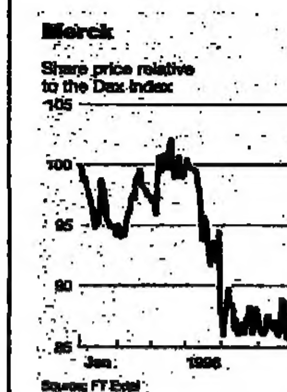
Agreement was also reached during the quarter on transferring polyethylene production facilities in Portugal to Borealis from the state-owned CNP group.

Borealis said it had also made significant progress in its rationalisation programme, which includes the use of fully-integrated computer systems for sales and orders handling.

The programme is expected to yield increasing financial benefits through the remainder of this year.

NEWS DIGEST

Merck boosts sales in first six months



Merck, the German drugs and pharmaceutical group, lifted sales in the six months to June to DM3.4bn ($2.3bn), an increase of 8.1 per cent on a year earlier. Adjusted for acquisitions and sales of shareholdings, sales rose 8.6 per cent, the company said. Two percentage points of the growth were a result of "positive" exchange rate movements. Domestic sales advanced 7.2 per cent, while foreign sales were up 9 per cent. A "considerable pick-up in business" was recorded in the second quarter compared with the first, Merck added. Sales by the pharmaceuticals division rose 10.3 per cent to DM1.915bn, while the laboratory chemicals division posted a 6.1 per cent increase to DM833m.

The company attributed the rise in laboratory sales to an increase in foreign business. Meanwhile, the domestic business recovered from the first quarter, with sales slightly above year-earlier levels. Sales at the special chemicals division rose 3.6 per cent in the first half to DM656m, and sales in North America increased by 13.5 per cent. Latin American sales were up by 11.1 per cent.

Merck said the improvement was a result of expansion in the pharmaceuticals business. First half European sales were ahead 5.3 per cent from a year earlier to DM2.14bn. Adjusted for disposals and acquisitions, European sales rose 6.1 per cent from a year earlier, Merck added. *AFX, Darmstadt*

BBV in talks to buy LatInvest

Banco Bilbao Vizcaya of Spain is in talks to buy LatInvest, the specialised Latin American brokerage house set up in 1992. LatInvest, with offices in London, New York, Geneva and Caracas, is 66 per cent owned by InverMexico, the troubled Mexican financial group which has been seeking a foreign partner for its domestic business. A further 12 per cent is held by Bozano Simonsen of Brazil, and the balance by LatInvest managers. LatInvest said the talks with BBV were on an exclusive basis. BBV, with $110bn in assets, has recently expanded in Latin America through banking and securities acquisitions in Mexico and Peru. It has agreed in principle to buy a bank in Colombia and said it would look at other opportunities in Latin America. *Stephen Fidler, Mexico City*

NatWest to advise on Alpinvest

The Dutch government yesterday appointed NatWest Markets, part of the UK's National Westminster Bank, as its adviser in the planned sale of its 30.3 per cent holding in Alpinvest Holding, a provider of venture capital to industry. ABN Amro, the big Dutch banking group, owns nearly half of Alpinvest.

The British institution will advise the state on whether to offer the stake to existing shareholders or more widely, possibly through a flotation. *Gordon Cramb, Amsterdam*

■ Philips, the Dutch electronics group, is to close a factory making video cassette recorders in Nuremberg, the first casualty announced under the restructuring of its troubled audio-visual equipment business which was unveiled last week. Production from the German plant, which employs 580 people, is to be moved to Austria and Hungary. *Gordon Cramb*

Restructuring continues at Aker

By Greg McIvor in Stockholm

Aker, the Norwegian offshore engineering and cement group, is to merge its oil and gas technology division with Maritime Group, a Norwegian affiliate, creating a company with combined sales this year of NKr10bn ($1.56bn).

The move is the latest in an extensive restructuring at Aker in the past 18 months. It comes as the Oslo-based group seeks to offset an ebbing order flow from the North Sea Norwegian oil and gas sector by expanding its international reach.

In a joint announcement, the two groups said their respective boards had approved the merger and that shareholder assent would be sought at annual meetings in mid-September. In addition, the deal requires clearance from Aker's corporate assembly.

Earlier this year, Aker acquired 40.25 per cent of Maritime's shares from ABB, the Swiss-Swedish engineering group, for NKr405m. The new group, to be named Aker Maritime, is to be listed on the Oslo stock exchange and have a market capitalisation of around NKr3.7bn.

Mr Frode Geitvik, Aker senior vice-president, said the the merger was being made for industrial reasons and not in order to downsize. Aker was strong in floating platforms, while Maritime had special expertise in production ships, he said.

"The things we have been lacking, they have got, and the things they have been lacking, we have got," he said.

Aker said there was little overlap in expertise or capacity, but the merger would nevertheless achieve cost and income synergies.

Mr Jon Reinhardsen, Maritime Group vice-president, said his group's lack of size had prevented it from offering top-to-bottom "turnkey" solutions for larger contracts. The merger would yield "more flexibility and financial muscle", he added.

Financial markets reacted positively and Aker's B-shares rose NKr4.50 to NKr121. Mr Peter Lawrence, head of Scandinavian research at Kleinwort Benson in London, said it was "a sensible move" which would strengthen Aker in an increasingly international market.

An exchange ratio of 2:1 was set, representing the relative values of Aker and Maritime. Aker, which will own 80 per cent of the new company, said it aimed for a minimum 30 per cent to be held by other shareholders. This could be achieved through mergers or a secondary offering, it said.

New economy minister seeks to repair the budget deficit

Tax changes in store for Argentines

By David Pilling in Buenos Aires

Mr Roque Fernández, Argentina's new economy minister, yesterday said he would pursue a rigorous fiscal policy and introduce some tax changes to repair the growing budgetary deficit that is threatening the country's agreement with the IMF.

Mr Fernández, who was due to be sworn in yesterday evening, said he was considering raising fuel taxes, especially those on diesel, to increase revenue. However, President Carlos Menem, whose political backing for his new minister will be closely monitored in the next few days, immediately ruled out any tax rises.

Markets reacted calmly to Friday's surprise sacking of Mr Domingo Cavallo and his replacement by Mr Fernández, with Brady bonds opening slightly higher in London and New York. The Merval index of blue-chip stock was 3.65 per cent higher shortly after trading began.

Ms Joyce Chang, head of emerging market debt research at Merrill Lynch, said the transition had been handled "maturely", with Argentine political, business and financial leaders throwing their weight behind the new minister. Even the departing Mr Cavallo backed Mr Fernández.

"There's been a complete sea-change in sentiment in terms of linking Cavallo with the success of the continuation of the convertibility plan," said Mr Neil Lockwood, emerging markets economist at ANZ Bank in London. The viability of the convertibility plan, the government's economic cornerstone, had until recently been thought by many foreign investors to depend almost exclusively on Mr Cavallo.

Mr Fernández, who at the weekend named his team of largely Chicago-trained economists, told foreign investors yesterday that he would cut spending and modify some taxes to rectify Argentina's increasingly wayward fiscal situation. He preferred to balance budgets than to take on new debt, he said.

Argentina would, nevertheless, need to seek a waiver from the IMF and renegotiate targets when the Fund visited Buenos Aires early next month, he said. A sluggish economy and low tax receipts have already caused the treasury to overshoot the $2.5bn deficit agreed with the IMF for the whole year.

Local analysts said much would depend on Mr Fernández's ability to work with Congress to pass legislation.

"He doesn't have the same strong personality as Cavallo, but this had become a liability," said Mr Freddy Thomsen, economist at ING Bank in Buenos Aires. "Cavallo's relationship with Congress had become so bad that they were blocking legislation just because it came from him."

Legislators promised to work closely with Mr Fernández and dispatch new legislation rapidly, especially that dealing with the privatisation of nuclear and hydro-electric plants, as well as airports.

However, Mr Fernández has said that draft legislation to tax luncheon vouchers, widely used in Argentina as a tax-free wage supplement, would not be withdrawn. Public outcry over this legislation had dominated the final days of Mr Cavallo's tenure.

Mr Lockwood of ANZ said doubts over the political effectiveness of Mr Fernández remained, although he believed there would be an initial "hand of goodwill" extended to the new minister.

Alberto Fujimori: plans to create bank for the poor

Fujimori pledges to aid indebted companies

By Sally Bowen in Lima

The Peruvian government is to take a more active role in promoting exports and bailing out viable but indebted businesses, President Alberto Fujimori announced in his annual state-of-the-nation address.

The president acknowledged in his speech on Sunday that economic slowdown had created "difficulties [which are] undoubtedly temporary".

Since his election in 1990, Mr Fujimori has presided over Latin America's most sweeping and rapid programme of liberalisation. Gross domestic product grew, on average, by more than 8 per cent a year – faster than any other country on the continent – between 1993 and 1995.

But fears of overheating and a resurgence of inflation prompted measures in late 1995 to cool the economy: growth in this year's first half has slowed to a virtual standstill.

In his speech, Mr Fujimori predicted GDP would grow at a steady 5-6 per cent a year until the end of the century and said there would be no backtracking on fiscal austerity, the promotion of private investment or the commitment to modernising the state.

But in what is being billed as a second wave of reforms to consolidate the market economy, legislation is being prepared to allow indebted businesses in the productive sector to restructure crippling tax burdens and reduce high financial costs. No details of the debt restructuring plan are yet available, but industrialists say that about 3,500 businesses could fall into the relevant category.

The president also hinted at greater state involvement in export promotion. Primary and semi-processed products, mainly minerals and fishmeal, account for the bulk of Peruvian exports, making foreign exchange earnings dependent on fluctuating international prices. New export-promotion initiatives are likely to concentrate on the agro-industrial and textile sectors.

In another move apparently designed to protect existing jobs and create new ones, Mr Fujimori announced the creation of a "bank for the poor", with technical support from the World Bank and modelled on Bolivia's successful BancoSol. Backed by domestic commercial banks and credit lines from abroad, BancoSol allocates mini-loans to small businesses, workshops, craftsmen and street traders. Loans are usually for less than a year, and amounts rarely exceed a few hundred dollars.

Following a series of drug smuggling scandals involving the Peruvian armed forces, Mr Fujimori also announced the suspension of commercial transport operations by the navy and air force.

Congress calls truce in race to pass laws

By Patti Waldmeir in Washington

Eager to avoid a voter backlash in the November elections, US legislators are poised to put aside partisan bickering and pass important new laws before Congress goes into recess at the end of the week.

After months of parrying the charge that they are a "do nothing" Congress gridlocked in fruitless debate, congressmen and women from both parties are pushing to pass bills to use as campaign material when they return to their districts for the August recess.

House Republican leaders hope this new spirit will yield final votes on legislation involving welfare, immigration, safe drinking water, and health insurance as well as a measure to raise the minimum wage to $5.15 an hour from $4.25.

They hope that legislative action will allow them to counter voter disgust with Congress's lacklustre performance to date, and with Washington politicians in general. The Republicans now believe voters are more likely to welcome signs of bipartisan action than they are to applaud a continuation of the party's previous strategy of passing radical legislation and then condemning President Bill Clinton for vetoing it.

"I think there's no question that the country needs agreement on health insurance and welfare reform. The Congress wants to show that we can produce," said Mr Trent Lott, Senate majority leader.

Toward that end, Congress is trying to thrash out a version of welfare reform legislation which the president will sign. That bill is due to emerge shortly from the House-Senate conference committee, where legislators are resolving differences between the versions passed by the two chambers and trying to decide what amendments will make it acceptable to the White House.

On health insurance legislation, which would facilitate the portability of insurance from job to job, legislators removed the biggest stumbling block to passage last week when they reached a bipartisan deal on the issue of medical savings accounts, which would allow some Americans to save for future health care.

A deal on health care would also clear the way for approval of the minimum wage increase, which has been indirectly blocked by the dispute over health legislation.

Meanwhile, Mr Clinton yesterday scored another campaign victory with an announcement that the television industry had agreed to provide three hours a week of educational shows for children. The president has recently campaigned heavily on "family values" and children's issues.

Canada orders ICN to cut price of drug

Canadian regulators have ordered the local subsidiary of California-based ICN Pharmaceuticals to cut the price of its Virazole anti-infection drug by almost 90 per cent, and pay a C$1.2m (US$876,000) penalty for excessive pricing, Bernard Simon writes from Toronto.

The ruling is the first since the formation of the Patented Medicine Prices Review Board in 1987 under reforms to extend patent protection on brand-name pharmaceuticals.

The board has reached about 100 "voluntary" settlements, which it claims have saved consumers about C$110m. It found ICN had sold Virazole at "an excessive price" since January 1994, and ordered the company to reduce the price of a 12-hour dose from C$1,540 to about C$200.

Virazole, the only drug of its kind, is used to treat lower respiratory tract infections in children.

The board launched its investigation after complaints from hospitals that the price of the drug had more than quadrupled in 1994. The C$1.2m penalty represents twice the estimated "excess" revenue received by ICN since early 1994.

ICN has challenged the board's jurisdiction, claiming Virazole is not a patented medicine as its patents have expired. A court ruling is pending.

US given interest rate nudge by IMF

By Robert Chote, Economics Editor

The International Monetary Fund is privately urging the US Federal Reserve to raise interest rates, reflecting concern at accelerating wage inflation.

The IMF's board met last week to discuss the conclusions of the annual "Article Four" consultation between IMF staff and officials from the Fed and treasury department. One board member said there was widespread agreement the Fed should tighten monetary policy soon.

Officials said some countries had expressed concern about the recent weakness of the US dollar, but that domestic considerations were the main reason that most recommended a rate increase.

IMF staff are particularly concerned by signs that a tightening in the labour market is putting upward pressure on wage inflation. Average weekly earnings rose 2.2 per cent in June, following small declines in April and May.

Market attention will be focused today on the second-quarter employment cost index, after Mr Alan Greenspan, Fed chairman, referred to the previous figures as "potentially worrisome".

In his Humphrey Hawkins testimony to Congress, Mr Greenspan said the factors restraining wage inflation in recent years might be abating, although he pointed out that an upturn need not be dangerous if it reflected higher productivity.

Most Wall Street analysts expect the Fed to raise interest rates at the next meeting of the Federal Open Market Committee on August 20. Some believe the Fed may act earlier if prompted by further evidence of inflationary pressures.

The IMF also warned the US that it needed to do more to get its finances under control. The US authorities had to provide clearer evidence that they were on course to achieve a balanced budget.

ATLANTA OLYMPICS

Everybody loves the people's boat

Keith Wheatley on the Laser's debut

From a sketch on a cocktail napkin to the biggest international event of the Atlanta games: meet the Laser, the world's most popular single-handed boat, now providing the fiercest competition in the Olympic regatta.

Sailors from 56 countries are racing in the debut of the Laser class in Wassaw sound, close to Savannah. It is the biggest entry ever in Olympic sailing, and IOC officials believe it is probably the largest number of countries ever to compete in a single discipline.

In the past Olympic class dinghies were thought to be tricky, expensive boats sailed by elite sailors. Until the 1996 Games, that is. Write a cheque for $2,500 and a Laser is yours, identical to those racing in the Olympics this week.

Over its 25-year history, more than 165,000 have been sold. They are raced in 113 different countries, making the Laser the people's boat.

Canadian yacht designer Bruce Kirby never dreamt what he was starting when he sketched the rough lines of his 3.5m cockleshell on a cocktail napkin one night over dinner back in the late 1960s.

Kirby was afloat on Wassaw Sound to witness the first Laser class Olympic race. "This is just marvellous," he said as over 50 of his babies jostled for space at the starting line. "I've been to three Olympics but this moment has got a place in my heart."

Adopting the Laser, cheap and accessible, for Olympic competition may prove a defining moment for sailing. The IOC had been putting pressure on the International Yacht Racing Union to open up the sport to less affluent participants.

"[IOC president Juan] Samaranch in particular has been after us to have equipment that is readily available to everyone. The Laser is perfect," said Paul Henderson, president of the IYRU. A tough Toronto building contractor with a shaven head and a tongue to match, he has swept through sailing's gin-and-tonic brigade like the storms that halted competition in Savannah.

For the record, Peer Moberg of Norway won the first-ever Laser race, defeating defending world champion and gold-medal favourite Robert Scheidt of Brazil.

Each rounding mark was an aquatic knife-fight, with dozens of boats within feet of each other jostling for space.

Kirby watched the whole thing from a committee boat, grinning from ear to ear. Royalties from Laser sales have made him wealthy but he still lives modestly in Connecticut, designing new boats and going racing whenever he can.

Argentina's Santiago Lange sails his Laser in his third race off Savannah. He came fifth Reuter

British youngster Ben Ainslie and Brazil's current world champion Robert Scheidt are providing a superb battle for the gold medal in the Laser class, **Keith Wheatley writes from Atlanta.** Ainslie leads by seven points, having been either first or second in the last five races. Whether the inexperienced but immensely talented 19-year-old from Falmouth in Cornwall can keep his cool during the final days of the regatta remains to be seen. However, he seems more relaxed than many competitors twice his age. Ainslie's mother, in Savannah with him, says if sleeping was an Olympic sport Ben would already have the gold.

Lai Shan Lee won the women's boardsailing to give Hong Kong its first – and probably last – Olympic gold medal. When the 25-year-old student defends her gold medal at the Sydney games, it will be under the Chinese flag. "I sailed conservatively as I had better boat speed and was physically fitter than the others," said Lee, who took the medal with a race in hand.

ATLANTA DIGEST

Syria hails first gold medallist

President Hafez al-Assad congratulated Syria's first Olympic champion, Ghada Shouaa, yesterday as the country celebrated her win in the women's heptathlon. Mr Assad sent her a message saying: "You have boosted the name of Syria and your glorious victory shows that nothing is impossible with an iron will and continuous training."

Shouaa, who won the world championship last year, said in an interview with Syrian television: "I feel like it is my country Syria, the Arab world and all Arab women who won." *AFP*

French gunmaker hits target

When French 50-metres three position shooter Jean-Pierre Amat took aim in Atlanta, the fate of a small French company hung on the flight of the bullet. Amat hit the target on Saturday, won the gold medal, and brought a gasp of relief from the staff of Manufacture d'Armes des Pyrénées Françaises, which had in the past five years invested FFr2m ($388,000) to develop a special rifle. for him.

The company, which exports 40 per cent of its production, has run into severe problems after sudden changes in European legislation restricted the use of rifles. "This gold medal opens the gate wider to exports," Mr Jose Uria, company manager, said. *AFP*

Top seed Seles knocked out

Women's tennis top seed Monica Seles, representing the US, was knocked out of the Olympic singles tournament yesterday, beaten 7-5, 3-6, 8-6 by Jana Novotna of the Czech Republic in the quarter-finals. *Reuter*

Results

Athletics

Women's 10km walk: 1 Y. Nikolayeva (Russia) 41 minutes 49 seconds; 2 E Perrone (Italy) 42:12; 3 Wang Yan (China) 42:19.

Women's heptathlon: 1 G. Shouaa (Syria) 6,780 points; 2 N. Sazanovich (Belarus) 6,563; 3 D. Lewis (Britain) 6,489.

Women's 5,000m: 1 Wang Junxia (China) 14:59.88; 2 P. Konga (Kenya) 15:03.49; 3 R. Brunet (Italy) 15:07.52.

Men's 400m semi-finals (first 4 to final). Heat 1: 1 R. Black (Britain) 44.69 seconds; 2 D Clarke (Jamaica) 44.87; 3 I. Ismail (Qatar) 45.02; 4. A. Harrison (US) 45.04. Heat 2: 1 M. Johnson (US) 44.59; 2 R. Martin (Jamaica) 44.81; 3 D. Kamoga (Uganda) 44.85; 4 I. Thomas (Britain) 45.01.

Men's discus qualifers (top 12 to final). Group A: 1 L. Riedel (Germany) 64.66m; 2 V. Dubrovshchik (Belarus) 63.22; 3 A. Horvath (Hungary) 62.90; 4 V. Kidykas (Lithuania) 62.74; 5 J. Schult (Germany) 62.58; 6 A. Setliff (US) 62.36.

Group B: 1 V. Alekna (Lithuania) 64.50; 2 A. Washington (US) 63.66; 3 V. Sidorov (Ukraine) 63.42; 4 S. Lyakhov (Russia) 62.42; 5 A. Elizalde (Cuba) 62.22; 6 V. Kaptyukh (Belarus) 62.22.

Badminton

Mixed doubles quarter-finals: Dong Moon Kim/Young Ah Gil (South Korea) beat Trikus Heryanto/Minarti Timur (Indonesia) 15-4 15-13. Jianjun Liu/Man Sun (China) beat Nimpele Flandy/Rosalina Riseu (Indonesia) 15-2 5-15 15-7; Joo-Bong Park/Kyung Min Ra (South Korea) beat 5-Xiiaoqiang Tao/Xiaoyuan Wang (China) 15-7 15-9.

Men's doubles semi-finals: Rexy Mainaky/Ricky Subagja (Indonesia) beat Soo Beng Kiang/Tan Kim Her (Malaysia) 15-3 15-3.

Atlanta goes for gold in self-marketing

Caryl Phillips on the city 'too busy to hate'

Even before the dark cloud of Friday night's bomb descended over Atlanta, the city was already struggling to maintain the facade of hosting a successful games. On Friday morning I was in downtown Atlanta when I noticed a young white man, in his mid-20, leaning against a wall. As I walked past he smiled at me and said: "Y'all have a nice day now, sir."

He knew that I was a visitor. Around my neck hung a press pass, unofficially known in Atlanta as "mug-me badges". I assured him I would do my best, and hurried out of the heat and into an air-conditioned mall.

Everybody in Atlanta, from the Atlanta Committee for the Olympic Games to the average citizen, is trying hard to make the 1.5m visitors feel welcome. Nothing wrong with that, except sometimes the effort can appear manufactured, and it leads one to ask uncomfortable questions about just what lies behind this wilful bonhomie. The truth is, one does not have to dig deeply into this city's past to discover the answer: race and poverty.

The city's self-affixed label of "the city too busy to hate" was coined by the late mayor, William Hartsfield. He guided the city through the civil rights era without the violence and confrontation which scarred other southern cities.

In 1944 blacks became effectively enfranchised, and their votes were important to Hartsfield. He made an immediate gesture by integrating the police force, and during the next decade he desegregated many public facilities, including the golf courses. Together with white business leaders, Hartsfield was determined that the city should grow economically, and he set out to polish the image of Atlanta to achieve that goal.

The evidence of modern-day Atlanta suggests Hartsfield's successors have succeeded. The city is the corporate home of Coca-Cola, Delta Airlines and Cable News Network, and for four straight years in the early nineties "Hotlanta" was the number one city in the US for job creation.

The city likes to brag; its emblem is a Phoenix rising out of the ashes. Its motto is Resurgens. As far back as last century, Georgians used to comment: "If Atlanta could suck as hard as she blows, it could be a seaport too."

The problem, though, is Atlanta's achievements do not mask its underlying malaise. Atlanta is ranked second in the US in terms of poverty, with nearly 30 per cent of residents living below the breadline.

The city has also been ranked number one in the nation for crime, no mean feat given competition from cities such as Cleveland and Detroit. In recent years many whites have moved out to the suburbs, so there is *de facto* segregation in housing, and most of the central city's schools are totally black.

There is a strong black middle-class presence in the city, but there is also a stronger black underclass. Yet Atlanta prospers.

The Olympics have introduced visitors to many of the problems surrounding serious issues of race and poverty here. This city has accommodated both Martin Luther King Jnr and the Ku Klux Klan. It is the fictional home of both *Gone with the Wind* and *Driving Miss Daisy*. Fundamentally insecure about its history, Atlanta has always sought to create for herself an alternative history in a vainglorious attempt to obscure the realities on her own doorstep.

Now the eyes of the world are on Atlanta and this is her chance to indulge in some heavy-duty marketing. The cover of practically every big American magazine features Atlanta, but none more prominently than Fortune magazine. The cover features former mayor Andrew Young, and the architect of the games, Billy Payne; one black, one white. The caption reads: "The untold story by two unlikely buddies who hit the $5bn jackpot." Unlikely? Not in Atlanta. No more unlikely than the young white man who courteously greets black men in the city centre.

As I stepped out of the mall and into the street, I was caught up in one of many street demonstrations taking place. This group, "Food not bombs", was handing out leaflets. Did I know, asked the leaflet, the housing authority of Atlanta evicted 2,000 families from accommodation that was "too near" the venues? Did I know there were over 20,000 homeless?

By Saturday morning this group's name had taken on a chilling significance, and Atlanta was coming to terms with a new American problem: terrorism.

RANDGOLD

SUMMARY OF GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1996

BLYVOORUITZICHT GOLD MINING COMPANY LIMITED
(Registration No. 05/09743/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Twelve months to 30/6/96
Working profit after tribute payments	7 029	3 719	6 540
Profit/(loss) after taxation	10 016	5 784	(3 187)

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
Carbon Leader	78,0	64	37	52,0	1 924
Main Reef	183,6	170	27	28,1	759

Tonnage has been increased but at a marginally lower grade. It is anticipated that production will stabilise at 2 000 kg of gold per quarter.

EAST RAND PROPRIETARY MINES LIMITED
(Registration No. 31/00172/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Eighteen months to 30/6/96
Working profit	6 914	2 137	14 277
Profit after taxation	9 147	4 262	8 351

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
Composite Reef	328,6	307,6	92	13,7	1 250

The introduction of a modified Full Calendar Operation produced five additional shifts during the quarter, increasing tons milled by 6%.

DURBAN ROODEPOORT DEEP LIMITED
(Registration No. 01/00926/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Eighteen months to 30/6/96
Working profit	6 532	2 383	13 592
Profit/(loss) after taxation	8 168	3 524	(24 482)

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
South Reef	344,7	349,0	13	34,9	454
Main Reef	289,2	248,5	159	7,0	1 120
Kimberley Reef	228,1	261,0	126	5,1	643
Bird Reef	51,7	79,0	124	4,8	597

The plant refurbishment was successfully completed during the quarter, resulting in increased tonnage being processed.

HARMONY GOLD MINING COMPANY LIMITED
(Registration No. 05/38232/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Twelve months to 30/6/96
Working profit	18 195	12 177	61 357
Profit after taxation	27 458	16 454	58 168

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
Basal Reef	228	198	74	14,6	1 077
Leader Reef	1 891	1 616	134	4,7	632
"A" Reef	535	478	126	5,4	676

Underground tonnage rose by 6%, decreasing unit cost, but a drop in grade due to reef variability increased cost per kilogram.

THE GROOTVLEI PROPRIETARY MINES LIMITED
(Registration No. 01/02088/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Twelve months to 30/6/96
Working profit	3 573	3 412	12 434
Profit after taxation	4 452	4 120	15 660

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
Black Reef	126	132	47	34,9	1 636
Kimberley Reef	756	756	19	18,0	342

Tonnage and yield were adversely affected by abnormally erratic Kimberley Reef payability. Working costs were well contained.

UNISEL GOLD MINING LIMITED
(Registration No. 72/10604/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Twelve months to 30/6/96
Working profit after tribute payments	5 935	8 462	28 398
Profit/(loss) after taxation	(5 347)	7 698	15 141

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
Basal Reef	1 540,8	608,0	84	31,2	2 617
Leader Reef	237,1	363,0	197	4,3	855
Middle Reef	14,5	27,0	126	19,7	2 476

Production declined as a result of an illegal strike. Unisel and Harmony operations are being rationalised under one management.

STILFONTEIN GOLD MINING COMPANY LIMITED
(Registration No. 05/33412/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Twelve months to 30/6/96
Working profit/(loss)	1 374	(709)	(4 912)
Profit/(loss) after taxation	1 358	720	(857)

Surface dump treatment ceased on 28 April 1996. Clean-up of the plant is in progress.

BUFFELSFONTEIN GOLD MINING COMPANY LIMITED
(Registration No. 95/10072/06)

FINANCIAL RESULTS (R000's)	Quarter 30/6/96	31/3/96	Six months to 30/6/96
Working profit/(loss) after tribute payments	13 330	(2 859)	10 471
Profit/(loss) after taxation	15 254	(38 658)	(23 404)

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cmg/t
Vaal Reef	47	24	59	38	2 222

Tonnage targets were achieved and the opening-up programme has been accelerated to improve available ore reserves.

NOTES

DIVIDENDS:
No dividends to ordinary shareholders have been declared for the three months ended 30 June 1996.

GENERAL:
• All the companies mentioned are incorporated in the Republic of South Africa.
• All financial figures are unaudited.

HEDGING:
None of the mines have any outstanding hedging contracts.

Registered office:
[illegible]

Copies of the reports may be obtained from the UK secretaries.

Club Med

The Board of Directors of Club Méditerranée met today under the chairmanship of Serge Trigano to review the financial results for the six months ended 30 April 1996 and the business outlook for the rest of the fiscal year.

The first half of fiscal 1996 saw an increase in consolidated net profit to FRF 88 million and a decline in operating profit, primarily attributable to the Club's European business.

The number of hotel days rose by 1% in the first half and the occupancy ratio declined slightly to 70.6% from 71.7% the year before, primarily due to a 2% increase in hotel capacity over the period.

The following table presents the main consolidated income statement items:

In millions of French francs	30 April 1996	30 April 1996	% Change
Turnover	3 811	4 200	- 9,3%
Operating profit	166	249	- 33,3%
Net interest expense	(144)*	(108)	- 33,3%
Non-operating items	91	96	- 5,2%
Net profit before minority interests and goodwill	117	216	- 45,8%
Minority interests	(13)	(129)	+ 89,9%
Consolidated net profit	88	75	+ 17,3%

* Including FRF 40 million of non-recurring items.

Much of the decline in turnover resulted from the divestment of Maeva, which accounted for FRF 217 million in fiscal first-half 1995 turnover. The remainder was caused by the weakness of the yen and the dollar against the French franc, although this did not affect the contribution of Club Med Inc. to consolidated profit.

The deconsolidation of Maeva also reduced operating profit, by FRF 13 million, but most of the decline in this item was due to the Europe-Africa region. The increase in hotel days in this region failed to offset the decline in average billings, which was affected by a less favourable price mix than in the prior-year period.

Interest expense increased due to provisions on shareholdings and non-recurring charges related to the buyback of minority interests in Club Med Inc. These expenses were amply offset by non-recurring gains from the divestment of Maeva (FRF 64 million) and the recovery of unused provisions. In all, these non-recurring items amounted to a net gain of 51 million.

The decline minority interests resulted from the buyback of minority interests in Club Med Inc.

After the above items, interim consolidated net profit amounted to FRF 88 million, an increase of 17.3% for the period.

During fiscal 1996, the rights issue, the fact that 67.2% of shareholders elected to reinvest their dividends, and the exercise of options increased the company's share capital to FRF 343.3 million and raised shareholder's funds to FRF 4.3 billion.

Capital spending amounted to FRF 199 million during the period and was more than covered by interim operating cash flow of FRF 251 million.

For the summer season, despite lackluster demand for travel services, worldwide sales volume is up 5% from the same date last year, with most of the growth coming from Club Aquarius.

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THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 31st July, 1996 to 30th August, 1996 has been fixed at 5⅝% per annum. On 30th August, 1996 interest of U.S. $4.635416 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th August, 1996 will be determined on 28th August, 1996.

Agent Bank and Principal Paying Agent:
ROYAL BANK OF CANADA

BANQUE NATIONALE DE PARIS
USD 250,000,000.-
Floating Rate Due 1997

Applicable interest rate for the interest period from 26.07.96 up to 28.10.96 as determined by the reference agent is 5.875 per cent per annum, namely USD 1534.03 per bond of USD 100,000.-.

European Investment Bank

US$250,000,000
Floating rate notes due January 2003

Notice is hereby given that the notes will bear interest at 5.59766% per annum from 30 July 1996 to 30 January 1997. Interest payable on 30 January 1997 will amount to US$143.05 per US$5,000 note and US$2,861.03 per US$100,000 note.

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FROM 30/07/1996
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JPY 3,713,554.-

BY FUJI BANK (LUXEMBOURG) S.A.

COMPANIES AND FINANCE: UK

Henderson to head Dalgety

By Rosa Tiernan

Sir Denys Henderson has been chosen as the new non-executive chairman of Dalgety, the foods group, as it seeks to overcome the turmoil in Britain's beef industry and make a success of its drive to become Europe's second-biggest pet food producer.

The former chairman of Imperial Chemical Industries will replace Mr Maurice Warren, 63, who is to retire in December after 40 years with the company.

Mr Henderson, also 63, and who chairs The Rank Organisation, has promised to stay for at least three years. His appointment comes as the City awaits proof that Dalgety can successfully digest its £465m acquisition last year of Quaker European Petfoods. The shares are languishing at 348p, up 4p yesterday, on a yield of 8 per cent. Brokers say it may be forced to cut its dividend unless integration of Quaker is a success.

Sir Denys said yesterday that Dalgety had "a very considerable challenge" to translate the Quaker acquisition into improved profits. "I think what they have got to do is deliver on the promises they made to shareholders when they made that acquisition." But he added the task would be made easier by the improvement in the company's focus since he was last a non-executive director, between 1981 and 1987.

Mr Warren has streamlined Dalgety since he became chief executive in 1989. He sold the trouble-prone commodities trading business and set out to build leading positions in pet food, food ingredients, animal feeds and pig breeding, and food distribution. His transformation of the group is widely acknowledged.

Now Dalgety claims a 22 per cent share of the European pet foods market, second to Mars, with 40 per cent. But the consequent rise in borrowings, which pushed year-end gearing to 149 per cent, coincided with discovery of suspected links between Bovine Spongiform Encephalopathy and brain disease in humans. The knock-on effect on animal feed producers is expected to knock £25m ($39m) off Dalgety's profits for the year to June 30.

Mr Warren said yesterday: "After many years of strategic change, the group is now strategically well-placed for future growth".

If he is right, it is Sir Denys, and the company's chief executive, Mr Richard Clothier, who will reap the plaudits. If not, Sir Denys may have a tough task. "What they get with me is someone with experience ... and someone who, if the going gets rough, won't buckle too much at the knees," he said.

Brendan Corr

Hats off to a strong performance: Peter Lewis (left) and George Burnett, managing director

Ashtead climbs to £16.8m

By Simon Kuper

Ashtead, the equipment hire group, said sales had risen by well over 50 per cent in the two months since the year-end. Half the growth was organic while half stemmed from acquisitions.

The group was reporting results which showed it bucking the sector's trend with pre-tax profits 24 per cent ahead at £16.8m ($26.2m) for the year to April 30. Sales rose 42 per cent to £95.9m.

Ashtead called the UK market "difficult". Mr Peter Lewis, chairman, said hire rates in Britain had rebounded by about 2 per cent since the year-end, after falling 5 to 10 per cent last year. "The rental rates in the UK are the lowest in the world by a mile," he said. "In the US prices are on average twice as good."

He expected the US to account for about half of group sales before 2000, up from 40 per cent this year. Only 40 per cent of equipment in the US was procured through hire, compared with more than 70 per cent in the UK. American operating margins, now 20 per cent, could rise as high as 30 per cent.

Operating profits at Ashtead's UK plant hire business rose 26 per cent to £14.1m, while in the US plant hire business they increased almost two and a half times to £4.4m. Operating profits in the survey and inspection hire division were up 17 per cent to £1m. Capital spending rose 57 per cent to £61m.

The company has grown from 58 sales branches in 1993 through 133 last year to 163 at the year-end. It claims to be the UK market leader in non-operated equipment hire with a 12 per cent market share.

The final dividend of 2.42p makes a total 24 per cent ahead at 3.07p – a doubling over the last three years.

Learmonth & Burchett warning

By Paul Taylor

Shares in Learmonth and Burchett Management Systems tumbled yesterday after the USM and Nasdaq-listed software tools supplier issued its second profit warning in six months.

It said it expected to post a net loss of $3m (£1.9m) or 12 cents a share on turnover of $6.8m in the first quarter to July 31.

Shares in the group closed down 20p at 95p.

In November, Mr Rainer Burchett, chairman, and Mr Roger Learmonth, chief executive, sold shares worth $11.5m (£7.2m) at $5 a share as part of the group's US public offering on Nasdaq.

Yesterday the company blamed the losses on "depressed revenues outside of the US and an inability to reverse the historical seasonal downturn in US revenues in the first quarter".

The group, which posted net income of $500,000 or 4 cents a share on revenues of $9.8m in the first quarter last year, moved its headquarters from London to Houston, Texas recently.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ashtead	Yr to Apr 30	95.9	(67.3)	16.8♠	(13.6)	13.3†	(11.3)	2.42	Oct 9	1.933*	3.07	2.467*
BAA	3 mths to June 30	347	(326)	130	(127♥)	9.5p	(9.5p)	-	-	-	-	11.25
Coral Products	Yr to Apr 30	8.8	(8.1)	1.6	(1.2)	7	(6.8)	1.5	Sept 19	1.35	2.25	1.35
Bezant	Yr to Apr 30	7.85	(7.59)	1.8♠	(1.15♠)	4.4	(3.11)	0.75	Oct 10	0.8	1.25	1.1
ISA Intl	6 mths to June 30	122.3	(106.4)	3.7	(2.98)	5.9†	(4.8)	0.88	Sept 30	0.75	-	2.38
Kode Intl	6 mths to June 28	9.6	(10.2)	0.208♠	(0.635)	nil	(4.4)	0.75	Sept 12	-	-	1
Moorepay ф	6 mths to June 30	2.72	(2.34)	0.851	(0.698)	7.52	(5.86)	1.2	‡	1	-	4.4
Neca ф	6 mths to Mar 31	3.88	(-)	0.015♠	(-)	0.6	(-)	-	-	-	-	-
[illegible] Resid'l ф	Yr to Mar 31	0.159	(0.105)	0.038♠	(0.011♥)	1.08	(0.51)	1	Oct 10	1	1	1
Porvair	6 mths to May 31	25	(15.3)	1.54	(1.26)	4.1†	(5.4)	1.9	Sept 27	1.8	-	5.5
Regal Hotel	6 mths to June 30	21.6	(5.8)	2.92	(0.49)	1.69†	(0.86)	0.325	Oct 1	-	-	0.5
Richards	Yr to Dec 31	19.9	(17.2)	1.68L	(0.276)	18.35L	(2.88)	nil	-	1.25	-	2.25

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Contra-Cyclical	3 mths to June 30	29.46	(39.15)	0.112	(0.287)	1.4	(3.59)	2.25	Aug 30	2.25	-	9.5
Fidelity Euro Values	6 mths to June 30	246.32	(196.83)	1.08	(0.834)	2.06	(1.8)	-	-	-	-	0.8
I&S Info	6 mths to June 30	183.8	(117.8)	0.486	(0.317)	20.93	(13.89)	6.84125‡	Aug 30	5.5	-	25
TR Smaller	Yr to May 31	264	(201.5)	9.61	(7.23)	5.39	(4.08)	2.45	Oct 7	2.4	3.95	3.9

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. *Equivalent after allowing for scrip issue. фAim stock. ‡Already paid; makes 2.2p to date. ‡Second interim; makes 13.73p to date.

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مكتبة الأصل

Lossmaking Crosby sold to Canadians but group restructuring taking longer than expected

Spring Ram warns of £9.8m interim losses

By Jane Martinson

Spring Ram, the kitchens, bathrooms and furniture group, yesterday warned that interim pre-exceptional losses could be £9.8m ($15.3m) in spite of the sale of its lossmaking door and window manufacturing business.

BZW, the house broker, cut its full-year pre-tax forecast from a £2m profit to a loss of £12m after the group warned of harsh trading conditions and a restructuring which was taking longer than expected.

Almost half of the interim loss – £4.6m – relates to Crosby, the door business which was sold to Premdor Group yesterday for a provisional consideration of £12.3m cash.

Premdor, a Canadian door maker, will also assume net debt of £9.8m under the deal. Spring Ram will use the proceeds to cut its £60m net debt by £22.1m, reducing gearing to about 45 per cent. The disposal will lead to an exceptional loss of about £6.3m.

Spring Ram said trading conditions had been harsher in the six months to June 29 than the same time last year. However, the kitchens and bathrooms division had improved over the loss incurred in last year's second half and the margin decline had been reversed.

Mr Martin Towers, finance director, said the group's rationalisation, which had cut 800 jobs, was taking longer than expected. He said "a slow progressive improvement in the housing market" should return the group to profitability next year.

The group made a loss of £43.6m last year which included a £30.6m exceptional charge related to the rationalisation.

Its sale of Crosby is part of a strategy announced in March to focus on its kitchens and bathrooms division. One analyst welcomed the disposal saying: "This group has too many irons in the fire, too many businesses and too much to do." The group will retain 20 per cent of Crosby, which is to be renamed Nylewood.

Spring Ram shares remained unchanged at 14½p. At the height of the group's profitability in 1992 they were trading at 181p.

Bass confirms Carlsberg-Tetley discussions

By David Blackwell

Bass and Allied Domecq yesterday responded to months of speculation by confirming they were discussing a merger of the UK brewing interests of Bass and Carlsberg, the Danish brewer.

Both Bass and Allied issued terse statements to the Stock Exchange after widespread speculation on the future of Carlsberg-Tetley, the joint venture between Allied and Carlsberg, over the weekend. The price of the deal, which could be announced this week, is understood to be about £200m ($312m).

Bass said it had "noted weekend press reports regarding Carlsberg Tetley and confirms that it is in discussions with both Allied Domecq and Carlsberg regarding the possible purchase of Allied's 50 per cent interest in Carlsberg-Tetley". It will make no further comment until the talks are concluded.

Allied, in a similar statement, said a further announcement would be made as soon as possible.

Analysts yesterday welcomed the confirmation. "It's good that it is finally all in the open," said one. The deal would prove good for the brewing industry, helping to shift the balance of power away from larger beer retailers such as Greenalls and Wetherspoons.

However, another analyst cautioned that it was "far from a done deal – it does not appear yet to have regulatory approval".

Bass lost its UK market leadership after Scottish & Newcastle bought Courage last summer. But while Carlsberg-Tetley seemed the obvious way back to the number one slot, the road has proved tougher than expected.

A straightforward purchase of Carlsberg-Tetley would give Bass about 38 per cent of the UK market and trigger protracted competition investigations with the government, according to a leading analyst.

Bass and Carlsberg are trying to find a way to minimise Bass's market share. Otherwise it will have to shed brands and pubs in order to satisfy the Office of Fair Trading and to avoid a referral to the Monopolies and Mergers Commission.

Using the Scottish & Newcastle Courage deal as a benchmark Bass would have to shed more than 1,000 pubs – approaching a fifth of its estate – if the merger gave it a market share approaching 40 per cent.

Scottish Courage, which now has about 30 per cent of the UK market, is believed to be poised to go back to the OFT to seek renegotiations on some of its own undertakings last summer if the Bass deal goes ahead.

Porvair shares tumble after warning on profits

By Jane Martinson

Porvair, the synthetic materials manufacturer, yesterday warned that full-year profits would be lower than expected after a difficult first half.

The shares plunged 71p to 334p as analysts cut their full-year profits forecasts. Beeson Gregory, the house broker, shaved almost £1m from its pre-tax prediction to £7.1m ($11.1m)

Difficulties in the US and continental European retail markets and the loss of a large customer at Porvair International, which contributes one third of group sales, prompted the downturn.

Mr John Morgan, chairman, said a reorganisation which cut £600,000 from administrative costs combined with a shift in strategy would help improve matters next year. "There is nothing of any substance wrong with the group," he said. "This has been a temporary blip."

The group intends to focus on selling the division's high margin products – membranes which are added to leather to increase breathability – in fast growing manufacturing markets such as Brazil, China and Indonesia.

The other five divisions showed improvements. Acquisitions helped lift total sales 63 per cent to £24.9m in the six months to May 31.

Operating profits jumped 36 per cent to £1.89m (£1.39m) while the pre-tax line rose 22 per cent from £1.26m to £1.54m.

However, the performance of Selee Corporation, a manufacturer of ceramic filtration products bought last July for up to $37.8m (£24.2m), was worse than anticipated following

weakness in the aluminium cast shop market and a raw material shortage.

Earnings per share fell 24 per cent to 4.1p from an adjusted 5.4p following last year's rights issue.

The interim dividend is 1.9p (1.8p).

Megalomedia's £7m Framestore deal

By Jane Martinson

Megalomedia, the new media group in which Mr Maurice Saatchi and his wife have a 19 per cent stake, yesterday took full control of a company that specialises in digital visual effects for television and advertising, for a total cost of about £7m ($10.9m).

Megalomedia, which already owns almost 40 per cent of Soho-based Framestore, is to pay for the remainder of the company with a mixture of cash, loans and shares.

The five executive directors of Framestore will be the chief beneficiaries of the deal as they own about 50 per cent of total issued share capital of the company. Half is set to go to Mr William Sargent, commercial director, and Ms Sharon Reed, managing director, the co-founders.

Mr Sargent, the commercial director who co-founded Framestore, will become a Megalomedia board director. Framestore shareholders will be left with a stake of almost 14 per cent in Megalomedia.

Mr Saatchi, chairman, said the takeover would enable the group to "capitalise on a dynamic sector".

Although most of Framestore's revenue is derived from commercials, recent productions have included GoldenEye, the latest James Bond film, and The Legend of Pinocchio, a new US release.

The payment consists of £138,637 in cash, £1m in loan notes, 4.18m new Megalomedia shares and options to subscribe for 1m new Megalomedia shares at 100p per share exercisable after two years.

Further options awarded to the directors bring the total amount to about £7m.

Megalomedia made pre-tax profits of £309,000 on sales of £1.84m in the year to March 31.

24% rise at ISA in first half

By Justin Marozzi

Concentration on high-margin government and corporate markets helped ISA International, the computer consumables distributor, report a 24 per cent rise in interim pre-tax profits.

The increase from £2.98m to £3.7m ($5.8m) in the first half of 1996 came on turnover ahead 15 per cent to £122.3m.

The group, which sells products such as floppy disks and toner cartridges for printers, is Europe's largest distributor of computer consumables with about 6 per cent of the market.

Mr Peter Hildrew, who joined as chief executive in May, said the group would retain its focus on developing the end-user market where profit margins of 26 per cent were more than double those for the dealer and retail sectors.

Costain stake buyer confirmed

By Andrew Taylor, Construction Correspondent

Intria of Malaysia was yesterday confirmed as the purchaser of a 40 per cent stake in Costain under the terms of the UK construction group's £73.6m ($114.8m) rescue share issue.

One surprise was that Kharafi, the Kuwait construction group which had opposed the offer for sale, took up its rights maintaining its stake in Costain at 19.1 per cent.

Intria bought its holding as the main underwriter of the issue, which was taken up by existing shareholders owning 43.5 per cent of the company. Costain's bankers which also had underwritten the issue are expected to be left with a 2.3 per cent stake.

Raymond International, a Saudi Arabia-based construction group, saw its holding fall from just over 19 per cent to 12.1 per cent. Existing shareholders had been offered three new shares at 50p each for every one already owned.

Costain expects to increase its opportunities for work in Malaysia, as a result of its new relationship with Intria which will occupy 4 out of 10 seats on the UK construction group's board. The share issue is part of a refinancing package designed to transform the finances of Costain, which at the end of last year had net debt of £76m and negative shareholders' funds of £29m.

The company also intends to sell its remaining US coal interest and its international pipe-laying business. Following the share issue and the disposals, it expects to be left with £30m net cash and shareholders' funds of £42m. The sales had been expected to raise almost £80m, but Costain received a setback last week when Lonrho, the UK conglomerate, withdrew from its planned purchase of the coal business.

INTERNATIONAL CAPITAL MARKETS

Italian BTPs slip in quiet European trading

By Samer Iskandar and Mark Ashurst in London and Lisa Bransten in New York

Italian divergence continued unabated for the third consecutive day yesterday, the 10-year yield spread of BTPs over bunds widening by 8 basis points to 320.

Although most European bonds were down, BTPs showed one of the poorest performances, with the 10-year benchmark bond closing 0.40 lower at 100.72. Liffe's September BTP future lost 0.34 to close at 115.35, then fell another 0.11 after the official close on APT, Liffe's screen-based after-hours trading system.

Italian bonds received little support from the lira, which remained weak on the foreign exchange market at around 1,030 against the D-Mark. Renewed political bickering in Parliament – about health-care costs – did not help either.

Analysts at J.P. Morgan pointed out a "decline in investors' appetite for risk". They believe this situation makes high-yielding markets with large positions held by non-residents vulnerable, and recommend "short lira and peseta positions versus the D-Mark".

GOVERNMENT BONDS

■ UK gilts were virtually at a standstill yesterday, due to uncertainty ahead of today's monthly monetary policy meeting between the chancellor of the exchequer and the governor of the Bank of England. Market participants were also holding their breath in anticipation of the release of potentially market-moving data in the US.

But although 10-year gilts closed about ⅛ lower, the yield spread over bunds nonetheless managed to narrow by 2 basis points to 166 basis points.

"If the market was any more laid back, it would get rigor mortis," said Mr Andrew Roberts, gilts analyst at UBS.

Although most analysts expect the chancellor, Mr Kenneth Clarke, to retain the UK base rate at 5¾ per cent until September, Mr Roberts said traders had "not discounted a politicisation of monetary policy".

On Liffe, the September long gilt future ended a very thin trading session ⅛ lower at 106¾. Traders said a recovery was unlikely before the release of US second quarter GDP figures on Thursday and non-farm payrolls data for July on Friday.

■ German bunds ended a quiet session slightly lower. Liffe's September bund future settled at 96.81, down 0.25. Traders expect the German market to continue outperforming peripheral European bonds in the short term, as it continues to benefit from its safe-haven status against the ambient uncertainty.

■ US Treasury prices slipped in early trading but remained within their recent range yesterday as investors braced for a wave of important data due out later this week.

Near midday the benchmark 30-year Treasury was $\frac{3}{32}$ weaker at 86$\frac{7}{32}$ to yield 7.052 per cent. At the short end of the maturity spectrum, the two-year note slipped $\frac{1}{32}$ at 99¾, yielding 6.301 per cent, while the September 30-year bond fell ⅛ to 108$\frac{1}{32}$.

The two-year to 30-year yield curve held steady at 75 basis points.

There was little in the way of data released yesterday, but several key figures are due out this week starting today and finishing with the July employment figures expected on Friday. In three out of the past four months, the markets have fallen precipitously with the release of stronger-than-expected figures on job creation.

Investors remain divided about whether the Federal Reserve will raise interest rates in August, and a strong report on July job creation could upset the markets by raising fears of a rate increase.

Also important this week will be today's release of figures on consumer confidence in June and Thursday's figures from the National Association of Purchasing Management on manufacturing activity.

Foreign investors regain taste for UK gilts

By Mark Ashurst

Foreign interest in the UK gilts market recovered last month as sales to overseas investors surged to £700m, more than 60 times the figure for May.

The June figures – coming in the wake of April's sales to overseas buyers of £1.4bn, the highest level to date this year – confirm the reversal of last year's trend of falling overseas sales.

The proportion of outstanding bonds held by overseas funds fell from 18 per cent to 14.4 per cent, according to Nikko Europe. March and November are now the only interruptions in a year's run of foreign purchases of UK gilts to June.

Analysts believe that in spite of weaker than expected GDP figures in the second quarter, Mr Kenneth Clarke, the UK chancellor of the exchequer, is unlikely to cut interest rates after today's meeting with Mr Eddie George, the governor of the Bank of England.

The London Bond Broking Company said the chancellor would gain credibility in the financial markets by passing over the chance of an interest rate cut until September, when the political gains ahead of the party conference season would be greater. "By then, the UK may well be able to lower rates under cover of a Bundesbank policy easing."

Domestic banks also returned to the gilts market in June, with purchases worth £1.1bn, compared with £709m in May.

Mr Simon Briscoe, UK economist at Nikko, said buyers could be reassured later this year if PSBR projections are achieved, because the average auction size would fall from the monthly £3bn to date.

Latin American sector shakes off Argentine jitters

By Peter John

Calm returned to Latin American debt markets yesterday following Friday's upheaval, which was inspired by the sacking of Argentina's economy minister.

Brady bonds, which had been down by almost 2 percentage points throughout the subcontinent on Friday, rallied about half a point on average.

The fall was triggered by the announcement that President Carlos Menem had sacked Mr Domingo Cavallo, the man credited with the Argentine economic "miracle" during which the country's inflation fell from 5,000 per cent in 1989 to nothing a few years later.

EMERGING MARKETS

However, emerging markets specialists, who had braced themselves for a busy day of Argentine analysis yesterday, found themselves sidelined.

Mr Stephen Leach, regional strategist with Citibank, said: "I came in this morning expecting to talk about Argentina and found that most of the discussion was about Indonesia [where shares and the currency have been hit by a weekend of heavy political rioting]."

The leading US ratings agencies maintained their current speculative grade ratings on Argentina. Ms Lacey Gallagher, of Standard & Poor's, said: "We don't think a change of minister will in any way impact on the economy."

Ms Kristin Lindow of Moody's commented: "Our B1 rating was positioned to take this event into account."

Argentine Brady bonds quoted in London recovered with the floating rate bonds rising to 74 cents in the dollar, up more than a point from Friday's lows. Dealers said the rise principally represented a squeeze as some dealers were left short of paper following Friday's wave of selling.

Elsewhere, the story was generally the same, although Brazil, Argentina's principal trading partner, slipped back with its par bonds down ¼ at 53.750 in late London dealing.

Most economists were sanguine about developments in Argentina. They argued that the departure of Mr Cavallo, and his replacement by Mr Roque Fernandez, had been changes waiting to happen.

Mr Leach said the level of foreign reserves would be an important indicator. On the narrowest definition they stood at $16.9bn just before the cabinet change was made, he said. This is about $1bn higher than before the Mexican peso crisis last year.

However, there are some doubts that Mr Fernandez has the muscle to sustain the radical economic reforms started by Mr Cavallo in 1991.

Mr Ousmene Mandeng, a director of West Merchant Bank said: "It is not that Mr Fernandez does not appear as committed, but the key question is whether he has the same political clout."

There is also a feeling that if Argentina lacks the strength to maintain economic stability, other – weaker – emerging market economies will be even less likely to continue on a path of fiscal rectitude. On that rationale, even the debt prices of some eastern European markets had fallen initially, only to bounce later.

ANZ Bank is wary of following the Argentine market back up. It says Argentine volatility could combine with a turbulent US Treasury market to trigger another sell-off.

Mexico sets record with $6bn issue of FRNs

By Conner Middelmann

Mexico made history yesterday by issuing the largest single-tranche sovereign eurobond – $6bn of floating-rate notes – in a heavily oversubscribed offering.

The issue was increased from the originally planned $3bn offering due to overwhelming demand from investors attracted by the bonds' investment-grade credit ratings from Moody's and Standard & Poor's, which were granted because the bonds were structured to be supported by oil revenues of Pemex.

INTERNATIONAL BONDS

Together with $2bn from previous fund raisings, the Mexican government plans to use the proceeds of the offering to pay back, in advance, $7bn of the $10.5bn it still owes the US Treasury and $1bn to the International Monetary Fund in August. The funds were lent to Mexico during the peso crisis in late 1994 to help stave off the collapse of the economy.

Apart from confirming Mexico's rehabilitation in the capital market, the issue will also significantly reduce the country's interest burden. While Mexico paid more than 10 per cent interest on some of its US Treasury debt, its cost for the FRN is 7.6 per cent.

Just under half the issue went to banks, and the rest was placed with bond investors such as money funds and insurance companies, which submitted as much as $8bn to $9bn in bids, dealers said.

The technical situation of the sovereign FRN market – abundant liquidity driven by heavy redemption flows – also boosted demand. A $4bn FRN for the UK government matures in September and a $1bn issue for Denmark will be redeemed in August, and neither is likely to be refinanced in the FRN market, dealers said.

Moreover, the sector has suffered a dearth of liquid sovereign issues lately, so the Mexican deal unleashed substantial pent-up demand. Last, "with the potential for a rise in US interest rates, floaters are the perfect instrument for defensive investors", a dealer said.

Elsewhere, BT Securities, the securities subsidiary of Bankers Trust, the US bank, issued $200m in three-year subordinated floating-rate bonds yielding 29 basis points over Libor at the re-offer price.

That margin was wider than the 25-basis-point spread it paid on a similar issue in 1994, before Bankers Trust was dogged by legal action over derivatives losses by some of its clients, the most high-profile claim coming from Procter & Gamble. However, since that claim was settled earlier this year, "Bankers Trust has been undergoing a rehabilitation in the market", said an official at Deutsche Morgan Grenfell.

In the D-Mark sector, Dean Witter Discover issued DM300m of floating-rate notes, following the success of two D-Mark bank bonds last week. The bonds were priced to yield 15 basis points over Libor, which compared favourably with last week's lower-rated offerings. Lead manager Deutsche Morgan Grenfell reported strong demand from UK and German investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
United Mexican States(a)‡	6bn	(a1)	99.50R	Aug 2001	0.66125R	-	JP Morgan/SBC Warburg
BT Securities Corp(b)‡	200	(b1)	100.00R	Aug 1999	0.15R	-	Deutsche Morgan Grenfell
D-MARKS							
Dean Witter Discover & Co‡	300	(c)	100.00R	Aug 1999	0.15R	-	Deutsche Morgan Grenfell
Argentine Repackaged Bonds(d)	100	(d1)●	97.50R	Mar 2005	1.00R	-	Morgan Stanley Bank
[illegible]							
Ears Series 13(e)‡	60	(e)	100.00R	Sep 2002	0.20R	-	Merrill Lynch International

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. ●Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on any coupon date at par. Amortises in 13 equal payments from Aug 1998. Average life: 3.5 yrs. a1) 3-mth Libor +200bp. b) Callable from Aug 1997 at par. b1) 3-mth Libor +29bp. c) 3-mth Libor +15bp. d) Callable from 30/9/99 at par. d1) 10¼% to 30/9/99, then 13¼%. e) 3-mth Libor +¼%. ●) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	109.6810	−0.210	8.60	8.55	8.92
Austria		6.250	05/06	97.9400	−0.190	6.44	6.43	6.59
Belgium		7.000	05/06	101.6300	−0.270	6.76	6.73	6.85
Canada *		7.000	12/06	94.9700	−0.260	7.71	7.63	7.87
Denmark		8.000	03/06	104.5000	−0.040	7.32	7.27	7.58
France	BTAN	5.750	03/01	100.7900	−0.460	5.45	5.39	5.72
	OAT	7.250	04/06	106.1600	−0.130	6.37	6.37	6.61
Germany Bund		6.250	04/06	98.8700	−0.180	6.40	6.39	6.61
Ireland		8.000	08/06	102.4500	−0.020	7.64	7.58	7.84
Italy		9.500	02/06	100.7200	−0.400	9.381†	9.10	9.47
Japan	No 140	6.600	06/01	118.8194	+0.020	2.31	2.36	2.31
	No 182	3.000	09/05	96.0676	+0.170	3.29	3.34	3.26
Netherlands		6.000	01/06	97.5000	−0.240	6.35	6.36	6.55
Portugal		11.875	02/06	118.5900	-	8.66	8.61	8.85
Spain		8.800	04/06	99.3200	−0.110	8.86	8.83	9.11
Sweden		6.000	02/05	86.4487	−0.050	8.27	8.23	8.44
UK Gilts		8.000	12/00	103–03	−2/32	7.15	7.16	7.37
		7.500	12/06	97–03	−6/32	7.91	7.90	8.10
		9.000	10/08	107–19	−4/32	8.01	8.02	8.24
US Treasury *		7.000	07/06	100–21	−9/32	6.90	6.78	6.98
		6.000	02/26	86–27	−10/32	7.07	6.97	7.05
ECU (French Govt)		7.500	04/05	104.1800	−0.100	6.84	6.80	7.08

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.32
Broker loan rate	7	Two month	-	Three year	6.47
Fed.funds	5¼	Three month	5.33	Five year	6.67
Fed.funds at intervention	-	Six month	5.58	10-year	6.90
		One year	5.88	30-year	7.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.08	123.06	−0.04	123.16	123.02	34,854	164,730
Dec	121.74	121.70	−0.04	121.74	121.70	229	33,339
Mar	121.50	121.46	−0.04	121.50	121.50	2	3,557

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	0.05	0.17	0.43
121	-	-	-	0.11	0.30	-
122	1.30	-	1.56	0.25	-	0.92
123	0.60	0.33	0.69	0.55	-	1.37
124	0.19	0.13	0.40	-	-	-

Est. vol. total, Calls 6,143 Puts 5,250. Previous day's open int., Calls 110,774 Puts 119,769.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.01	96.81	−0.23	97.03	96.79	72367	233834
Dec	95.98	95.90	−0.23	95.99	95.91	334	9401

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9650	0.67	0.46	0.66	0.82	0.36	1.06	1.26	1.42
9700	0.40	0.31	0.48	0.63	0.59	1.41	1.58	1.73
9750	0.22	0.19	0.35	0.47	0.91	1.79	1.98	2.07

Est. vol. total, Calls 5600 Puts 10564. Previous day's open int., Calls 149420 Puts 169949

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.58	115.35	−0.34	115.75	115.23	34380	63316
Dec	114.90	114.66	−0.38	114.90	114.90	70	3363

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11500	1.04	1.66	0.69	2.00
[illegible]	0.75	1.42	0.90	2.26
11600	0.53	[illegible]	1.18	2.55

Est. vol. total, Calls 9824 Puts 10444. Previous day's open int., Calls 79892 Puts 82980

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.50	100.50	−0.04	100.87	100.25	83,863	50,698

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-00	106-26	-0-06	107-01	106-27	13714	141212
Dec		106-02	-0-06			0	798

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
106	1-17	1-09	1-27	1-43	0-25	1-05	1-23	1-39
107	0-42	0-44	0-63	1-13	[illegible]	1-40	1-59	2-09
108	0-18	0-24	0-41	0-53	1-26	2-20	[illegible]	2-49

Est. vol. total, Calls 880 Puts 281. Previous day's open int., Calls 20795 Puts 21207

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.60	91.58	−0.08	91.70	91.54	4,787	7,722
Dec	-	89.96	-	89.98	89.98	-	100

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	108–15	107–31	−0–19	108–17	107–28	148,398	434,017
Dec	107-22	107–13	−0–20	107–23	107–11	1,471	19,600
Mar	107–05	107–01	−0–20	107–05	107–01	298	3,331

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.23			119.36	119.07	3507	na
Dec	118.04			118.14	117.94	839	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Jul 29	Day's change %	Fri Jul 26	Accrued interest	xd adj. ytd		Low coupon yield Jul 29	Jul 26	Yr. ago	Medium coupon yield Jul 29	Jul 26	Yr. ago	High coupon yield Jul 29	Jul 26	Yr. ago
1 Up to 5 years (22)	122.39	−0.01	122.40	2.79	6.23	5 yrs	7.28	7.26	7.80	7.53	7.51	7.90	7.41	7.39	8.00
2 5-15 years (20)	146.94	−0.08	147.06	2.47	6.59	15 yrs	8.11	8.10	8.28	8.13	8.11	8.31	8.19	8.18	8.42
3 Over 15 years (8)	160.71	−0.16	160.97	2.72	7.40	20 yrs	8.20	8.20	8.30	8.21	8.19	8.33	8.26	8.26	8.43
4 Irredeemables (6)	183.33	0.12	183.10	2.36	7.36	Irred.†	8.27	8.27	8.40						
5 All stocks (56)	142.18	−0.07	142.28	2.69	6.17										

Index-linked							Inflation 5% Jul 29	Jul 26	Yr. ago	Inflation 10% Jul 29	Jul 26	Yr. ago
6 Up to 5 years (1)	198.12	0.01	198.09	2.30	4.49	Up to 5 yrs	2.60	2.60	3.27	1.21	1.20	1.56
7 Over 5 years (11)	187.43	−0.03	187.49	1.29	2.79	Over 5 yrs	3.79	3.78	3.65	3.58	3.57	3.46
8 All stocks (12)	187.55	−0.03	187.60	1.25	2.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 29	Jul 26	Jul 25	Jul 24	Jul 23	Yr ago	High*	Low*
Govt. Secs. (UK)	92.82	93.00	92.74	93.10	92.77	92.81	96.34	91.59
Fixed Interest	112.78	112.75	112.75	112.83	112.83	111.06	116.28	110.74

* for 1995. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22
Gilt Edged bargains	71.1	97.8	79.1	95.6	72.8
5-day average	83.2	86.4	86.4	92.0	93.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 29

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96¼	96½	-⅛	7.21
ABN Amro Bank 7¼ 05	1000	98⅜	98⅞	-⅛	7.50
African Dev Bk 7¾ 23	500	94⅞	95⅜	-⅛	7.88
Alberta Province 7⅞ 98	1000	102	102¼	-⅛	6.62
Asian Dev Bank 6¾ 05	750	95⅞	94	-⅛	7.29
[illegible]					
Sweden 8 97	2500	105	105¼		3.86
United Kingdom 7¼ 97	5500	104	104¼	-⅛	3.76
Volkswagen Intl Fin 7 03	1000	103¼	103½	-⅛	6.41
World Bank 0 15	2000	31¼	31½	+⅛	6.20
World Bank 5⅝ 03	3000	99¼	99¾	-⅛	6.02
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅞	100⅝	-⅛	7.91
British Land 8⅞ 23 £	150	90⅞	90⅝	-⅛	10.14
Denmark 6¾ 98 £	800	100¼	100½		6.61
Depfa Finance 7⅞ 03 £	500	95¼	95¾		8.02
EIB 8 03 £	1000	101⅛	101⅞	-⅛	7.78
Glaxo Wellcome 8¾ 05 £	500	102	102¼		8.42
[illegible]					

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 2pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]						

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar idles ahead of busy US data schedule

By Philip Gawith

Foreign exchange markets experienced a very quiet day yesterday with most participants preferring to keep their power dry ahead of a string of important US data releases this week.

Markets are bracing themselves for a set of strong data, which would open the way for the US Federal Reserve to raise interest rates when it meets again on August 20. There is little consensus, however, as to whether a rise in short rates would benefit the dollar or not.

Yesterday the dollar finished barely changed in London, from Friday, at DM1.4808, from DM1.4809. Against the yen it closed at Y108.230 from Y108.275.

The employment cost index, a voguish indicator at present, is released today, and if it is on the strong side, this could well drive asset markets and the dollar lower.

There was little movement in European rates. The lira remained at its weaker levels, closing at L1,030 against the D-Mark from L1,031.

Elsewhere, the Indonesian rupiah was under pressure following weekend rioting in the capital Jakarta. The currency lost around 1¼ per cent to trade around Rp2360 against the dollar, from Rp2330 on Friday. The Thai baht was also under fire following rumours last Friday of a devaluation. Short-term rates have risen in both countries.

The pound was steady, with the trade weighted index finishing at 85.1, from 85.0.

■ The dollar had two main pieces of information to feed off yesterday. One was the larger than expected drop in Japanese industrial output in June, which allayed fears that interest rates might be about to rise in that country, which would put pressure on the dollar.

The other concerned comments from Mr Franz-Christoph Zeitler, a Bundesbank council member. He said that the bank would be able to look at room for a repo rate cut if the M3 money supply figure moved towards its target. He also added that "fundamental data" favoured a stronger dollar.

There was some concern last week that the Bundesbank's decision to leave its repo rate unchanged, when many were expecting a cut, testified to an indifference to the value of the dollar.

Mr Brian Martin, economist at Barclays in London, said he was not optimistic about the dollar making progress from current levels. He said the institutional market was long dollars and he suspected there was very little further appetite to buy dollars. "Any recovery will just be used as a selling opportunity."

Mr Martin said he doubted, however, whether the dollar would fall much below DM1.45. He raised the prospect of a co-ordinated move in interest rates – the US raising rates and Germany cutting them – in late August, and possibly some central bank support for the dollar. "The G-7 will do its bit to fight against a stronger dollar because of the negative implications for world economic growth." But he said any co-ordinated effort, which would take place at lower levels, was "some way off".

One senior trader in London said that while it was "awfully tempting" to become bearish on the dollar, "I suspect if you do so you're becoming bearish at the bottom of the market."

He said the weaker dollar could be explained in terms of two key props which had underpinned its strength – the expectation of higher US rates and lower German rates – having failed to materialise in recent weeks.

■ Rumours that the Thai baht might devalue were denied by a Bank of Thailand official on the weekend, but there is some expectation of a change to the currency regime later this year, perhaps in the form of widening the fixing band.

Investors have been concerned that the slowdown in export growth, and lower growth projections, might prompt the government to devalue the currency to boost exports.

■ Mr Dave Munro, chief US economist at High Frequency Economics in New York, has warned investors not to get too excited about the headlines of the US data releases this week. "To tighten, the Fed needs to see 'persuasive evidence of intensifying inflationary pressures.'"

He suggested that Washington was less likely than Wall st to see "persuasive" evidence of inflationary pressures.

■ Pound in New York

Jul 29	Latest	Prev. close
£ spot	1.5575	1.5546
1 mth	1.5571	1.5540
3 mth	1.5572	1.5541
1 yr	1.5607	1.5570

■ OTHER CURRENCIES

Jul 29	£	$
Czech Rp	41.4473 - 41.4917	26.6080 - 26.6260
Hungary	232.440 - 232.583	149.220 - 149.270
Iran	[illegible]	[illegible]
Kuwait	0.4658 - 0.4667	0.2980 - 0.2995
Poland	4.2042 - 4.2118	2.6990 - 2.7030
Russia	[illegible]	[illegible]
U.A.E.	5.7211 - 5.7254	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jul 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2327	+0.0252	267 - 386	16.2658	16.1896	16.2015	2.3	[illegible]	2.6	-	-	105.4
Belgium	(BFr)	47.5393	[illegible]	[illegible] - 563	47.6480	47.4090	47.4443	2.4	47.2543	2.4	46.4646	2.3	107.2
Denmark	(DKr)	8.9051	+0.014	021 - 081	8.9261	8.8808	8.8913	1.9	8.871	1.5	8.7632	1.6	108.1
Finland	(FM)	7.0191	+0.0284	125 - 256	7.0270	6.9810	7.0147	0.8	7.0068	0.7	-	-	84.9
France	(FFr)	7.8244	+0.0064	223 - 264	7.8455	7.8084	7.8121	1.9	7.7894	1.8	7.595	1.6	110.0
Germany	(DM)	2.3070	+0.0039	062 - 077	2.3123	2.2999	2.3029	2.5	2.2985	2.5	2.2546	2.3	[illegible]
Greece	(Dr)	367.770	[illegible]	[illegible] - 907	368.658	367.057	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9824	+0.0003	818 - 830	0.9837	0.9808	0.9819	0.6	0.9807	0.7	0.9762	0.6	99.8
Italy	(L)	2377.43	+3.11	596 - 890	2381.88	2368.72	2382.98	-2.8	2392.83	-2.8	2425.33	-2.0	75.8
Luxembourg	(LFr)	47.5393	+0.0435	223 - 563	47.6480	47.4090	47.4443	2.4	47.2543	2.4	46.4695	2.5	107.2
Netherlands	(Fl)	2.5899	+0.0032	891 - 907	2.5967	2.5831	2.5838	2.8	2.5718	2.8	2.5241	2.5	107.4
Norway	(NKr)	9.9344	+0.0152	269 - 418	9.9545	9.8984	9.9259	1.0	9.9069	1.0	9.8254	1.1	98.8
Portugal	(Es)	237.354	+0.31	238 - 470	237.784	236.935	237.779	-2.1	238.694	-2.2	-	-	95.4
Spain	(Pta)	196.372	+0.183	317 - 427	[illegible]	195.905	196.632	-1.6	197.147	-1.6	[illegible]	-1.1	80.3
Sweden	(SKr)	10.2433	+0.0046	346 - 520	10.2579	10.1999	10.2436	0.0	10.2437	0.0	10.2416	0.0	88.5
Switzerland	(SFr)	1.8807	-0.0004	797 - 817	1.8849	1.8765	1.8757	3.2	1.8649	3.4	1.8167	3.4	112.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.1
Ecu	-	1.2264	+0.0009	260 - 268	1.2290	1.2246	1.2251	1.3	1.2221	1.4	1.2087	1.4	-
SDR	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5558	+0.0027	554 - 562	1.5598	1.5558	-	-	-	-	-	-	-
Brazil	(R$)	1.5737	+0.0045	733 - 741	1.5741	1.5687	-	-	-	-	-	-	-
Canada	(C$)	2.1382	+0.0017	375 - 389	2.1424	2.1345	2.1375	0.4	[illegible]	0.5	2.1258	0.6	83.8
Mexico	(New Peso)	11.8615	+0.0489	557 - 673	11.8673	11.8221	-	-	-	-	-	-	-
USA	($)	1.5580	+0.0028	577 - 582	1.5590	1.5535	1.5576	0.3	1.5576	0.1	1.5609	-0.2	96.1
Pacific/Middle East/Africa													
Australia	(A$)	1.9776	+0.0036	766 - 787	1.9828	1.9709	1.9804	-1.5	1.9854	-1.5	2.0107	-1.7	92.3
Hong Kong	(HK$)	12.0469	+0.0205	441 - 496	12.0539	12.0138	12.0389	0.8	[illegible]	0.7	12.0074	0.3	-
India	(Rs)	55.5410	+0.1755	984 - 836	55.5860	55.4910	-	-	-	-	-	-	-
Israel	(Shk)	4.9337	+0.0032	286 - 387	4.9470	4.9229	-	-	-	-	-	-	-
Japan	(Y)	168.617	+0.228	543 - 691	169.160	168.430	167.892	5.2	166.402	5.3	159.987	5.1	[illegible]
Malaysia	(M$)	3.8894	+0.013	880 - 908	3.9044	3.8751	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2426	+0.0101	413 - 438	2.2436	2.2311	2.2475	-2.7	2.257	-2.6	2.2906	-2.2	100.6
Philippines	(Peso)	40.8188	+0.0675	660 - 716	40.8715	40.7650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8431	+0.0104	418 - 443	5.8467	5.8266	-	-	-	-	-	-	-
Singapore	(S$)	2.2058	+0.0026	041 - 064	2.2064	2.1990	-	-	-	-	-	-	-
South Africa	(R)	6.9368	+0.0014	318 - 418	6.9483	6.9233	-	-	-	-	-	-	-
South Korea	(Won)	1272.07	+5.75	108 - 305	1273.05	1265.42	-	-	-	-	-	-	-
Taiwan	(T$)	42.9189	+0.0889	022 - 315	42.9380	42.7927	-	-	-	-	-	-	-
Thailand	(Bt)	39.4605	+0.0984	503 - 706	39.4850	39.3580	-	-	-	-	-	-	-

† Rates for Jul 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4193	-0.0022	171 - 214	10.4435	10.4120	10.3996	2.2	10.3576	2.4	10.1743	2.4	106.4
Belgium	(BFr)	30.5140	-0.026	080 - 200	30.5980	30.4870	30.459	2.2	30.344	2.2	29.804	2.3	105.9
Denmark	(DKr)	5.7159	-0.0011	149 - 169	5.7280	5.7114	5.7064	1.6	5.6914	1.7	5.6224	1.6	107.4
Finland	(FM)	4.5053	+0.0102	018 - 088	4.5115	4.4881	4.4988	1.7	4.4868	1.6	4.4413	1.4	84.4
France	(FFr)	5.0222	-0.0049	217 - 227	5.0366	5.0135	5.0152	1.7	5.001	1.7	4.9332	1.8	109.4
[illegible]													

† SDR rate per $ for Jul 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. J.P. Morgan nominal indices Jul 26: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅛	3⅞	3⅞	7.00	2.50	-
week ago	3¼	3¼	3⅛	3⅞	3⅞	7.00	2.50	-
France	3⅞	3¾	3⅞	3⅞	4	3.55	-	5.60
week ago	3¾	3¾	3⅞	3⅞	3⅞	3.55	-	5.60
Germany	3⅛	3⅛	3⅛	3⅛	[illegible]	4.50	2.50	3.30
week ago	3⅛	3⅛	3⅛	3⅛	3⅞	4.50	2.50	3.30
Ireland	5¾	5¾	5⅝	5⅞	5⅞	-	-	6.25
week ago	5¼	5¾	5½	5⅝	5¾	-	-	6.25
Italy	8⅞	8⅞	8⅛	8⅞	8¼	-	8.25	8.70
week ago	8¾	8⅞	8⅞	8⅛	8¼	-	9.00	9.30
Netherlands	2⅞	3⅛	3¼	3¼	3½	-	3.00	3.30
week ago	2⅞	[illegible]	3⅛	3½	3¾	-	3.00	3.30
Switzerland	2⅛	2⅛	2½	2⅛	2¾	5.00	1.50	-
week ago	2¾	2⅛	2⅞	2⅞	2⅞	5.00	1.50	-
US	5⅛	5⅛	5¼	5⅞	6⅛	-	5.00	-
week ago	5¼	5⅛	5⅞	6⅞	5⅞	-	5.00	-
Japan	⅛	⅜	⅞	¾	1⅛	-	0.50	-
week ago	⅜	⅜	⅞	[illegible]	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5¾	5½	6⅛	-	-	-
week ago	-	5⅛	5⅛	5⅞	6¼	-	-	-
US Dollar CDs	-	5.20	5.34	5.49	5.78	-	-	-
week ago	-	5.20	5.35	5.47	5.74	-	-	-
ECU Linked Ds	-	4¾	4¾	4⅞	4½	-	-	-
week ago	-	4¾	4⅛	4⅛	4⅝	-	-	-
SDR Linked Ds	-	3¼	3⅞	[illegible]	3⅞	-	-	-
week ago	-	3¼	3⅞	3½	3⅞	-	-	-

§ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.56	95.58	-0.02	95.57	95.55	1094	9952
Dec	95.65	[illegible]	-0.03	95.55	95.53	219	5808
Mar	95.37	95.36	-0.03	95.36	95.34	222	2907
Jun	95.11	95.10	-0.03	95.13	95.09	88	2742

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.46	4.853	2.024	5000	5.448	20.90	499.4	412.9	21.54	3.967	2.103	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	(DKr)	53.29	10	8.785	2.591	1.080	2669	2.907	11.16	266.5	220.4	11.50	2.112	1.123	[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	60.76	11.38	10	2.949	1.230	3038	3.309	12.70	303.4	250.9	13.09	2.404	1.278	[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	20.61	3.860	3.391	1	0.417	1030	1.122	4.306	102.9	85.09	4.439	0.815	0.433	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	49.42	9.257	8.135	2.398	1	2471	2.691	[illegible]	246.8	204.1	10.64	1.955	1.040	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]																		

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6775	0.6773	+0.0006	0.6775	0.6763	15,198	71,187
Dec	0.6805	0.6814	+0.0006	0.6815	0.6805	92	3,120
Mar	-	0.6878	-	-	-	280	[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8306	0.8321	+0.0020	0.8321	0.8303	10,041	37,042
Dec	0.8364	0.8387	+0.0021	0.8387	0.8364	17	2,141
Mar	-	0.8461	-	-	-	17	67

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jul 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 5¾	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅝	5⅝ - 5⅞	5⅝ - 5⅞	-
Local authority deps.	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	6 - 5⅞
Discount Market deps.	6¼ - 5¼	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	[illegible] months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 26, 5.5143pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V 5.935pc. Finance House Base Rate 6pc from Jul 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.27	+0.01	94.27	94.25	7208	84085
Dec	94.18	94.18	-0.01	94.20	94.17	5124	105701
Mar	93.92	93.92	-0.01	93.94	93.92	3261	68955
Jun	93.55	93.53	-0.02	93.56	93.53	2203	45801
Sep	93.11	93.11	-0.01	93.13	93.11	[illegible]	31945

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.09	0.14	0.16	0.07	0.21	0.49
9450	0.02	0.06	0.09	0.25	0.38	0.67
9475	0	0.02	0.04	0.48	0.59	0.87

Est. vol. total, Calls 500 Puts 1510. Previous day's open int., Calls 127623 Puts 117127

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	* Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		
		●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]

COMMODITIES AND AGRICULTURE

Gold gap is 'economic rubbish' says analyst

By Kenneth Gooding, Mining Correspondent

The concept that there is a growing "gap" between conventional gold supply and demand – frequently used by gold bulls to explain why the price inevitably must go up sharply and soon – is "economic rubbish", according to Mr Ted Arnold, metals specialist at the Merrill Lynch investment group.

Some analysts speak of the gap or deficit between conventional supply (newly mined metal and scrap) and demand as having risen from only 150 tonnes a few years ago to about 700 tonnes last year.

Mr Arnold, in a Precious Metals Special, insists the "gold must go up because of the growing gap" argument is flawed for two important reasons: it assumes there is little or no supply response from stocks of gold and it assumes little or no demand response to higher prices.

He points out that stocks of gold – excluding the 36,000 tonnes held by central banks and other official institutions – total about 85,000 tonnes and this gold increasingly is held by consumers in the form of bracelets, rings and necklaces.

These holders are very price sensitive. When gold prices rise rapidly they turn sellers very quickly. "The supply response is amazingly swift if the price is right. In 1993 over 500 tonnes of gold scrap (melted down jewellery) came out of the Middle East and into European refineries in a matter of weeks."

He stresses that the structure of the physical gold market has evolved in a way that massively reinforces price sensitivity because jewellery's share of total gold fabrication has risen from 50 per cent in 1980 to more than 85 per cent today. Also, last year developing markets, which are more price sensitive, accounted for two thirds of jewellery offtake against only one third in 1979-80.

Mr Arnold says organisations that analyse the global gold market should not attempt to make their supply and demand statistics balance. "It is an impossible task to try to count the last tonne. Too much physical gold vanishes into the paper market to make supply-demand balances meaningful. This gold is held against option positions, warrants and so on and is never ever counted or caught in any statistical analysis we have seen.

"Then there is the stealing of gold in mining areas. Gencor [the South African mining group] recently revealed that between 5 and 10 per cent of South African gold output goes missing. We would think that similar figures apply in the rest of Africa and in South America. [That indicates] there are a few hundred tonnes already unaccounted for but in the system."

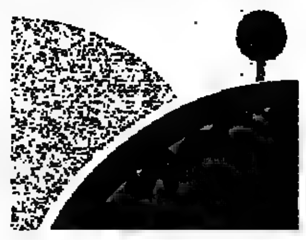
Mr Arnold says there is also a great deal of physical gold tied up inside the international bullion market itself, held by banks and dealers and large institutional or private investors. This excludes all the gold being lent to the market by central banks.

As for the gold price, he suggests it is likely to trade between US$370 and $400 a troy ounce for the next 2½ years. Below $370, Asian, Middle Eastern and Indian buyers see gold as "good value" and buy physical metal. Any price move above $400 would be "brief and unsustainable" because of the massive supply response it would produce. He points out there has not been much disinvestment selling in the present "bull" market, partly because, "to judge from the comments of some of our clients in the Middle East and Hong Kong, the magic London fixing price number they are waiting for is $420 and above. This view is good enough for us and is why we keep $420 as the very top of our gold trading range".

Sainsbury takes sustainability into the field

Exhortation is fine as far as it goes, but it takes cash to bring real benefits

FARMER'S VIEWPOINT



By David Richardson

The irony was inescapable, as yet another heavy treatise on environmental, industrial, or agricultural sustainability thumped on to my door-mat – probably the 10th in as many months. How many acres of rain forest had it taken to provide the paper? I asked myself; and how much energy had been expended on preparation, printing and distribution?

It is not that I disagree with much of the content of some of the reports – from the government, from environmental charities, from county councils and so on. Indeed, I claim to be at least as conscious of the need for sustainability and as keen to do something about it as most people. But the weight of the communications and the repetitiveness of much of what they say seems to me at best wasteful and at worst possibly counter-productive. While most of the mass of organisations and authorities responsible are happy to lecture the rest of us on how we should change our behaviour, few seem able or willing to put much money where their mouths are.

Exhortation is fine as far as it goes; but it will take real cash – or the threat of less of it – together with commitment to bring about the improvements that such agencies seek and that we all owe to generations yet unborn.

It was refreshing, therefore, to sit in recently on a meeting called by J Sainsbury – one of the companies most regularly criticised for alleged lack of sustainability in its distribution system to its 360 supermarkets around the country.

The meeting was called specifically to help inform overseas suppliers of specialist fruit and vegetables to Sainsbury of the production standards it now expects of them; standards that it is preparing to impose on all its suppliers, at home and abroad. In due course, the message implied, if present suppliers were unable to comply with the rules, they would no longer be eligible to supply to Sainsbury, even at the risk that the retailer ran out of produce. In other words, compliance would bring financial reward and failure to comply potential financial penalties for both Sainsbury and its suppliers.

Invited to the lecture theatre of Sainsbury's London head office were the trade or agriculture representatives of over 20 countries. There, they were informed about the Integrated Crop Management System, which the company developed and began to impose in the UK some five years ago. Its objectives then, as now, are summarised as "to conserve and enhance the environment for wild life and people, while producing quality crops of economic yield, through responsible crop management using the best practices available".

Clearly, such objectives are open to interpretation and are supported and more closely defined by visits to supplying farms by Sainsbury inspectors. They check entire production systems; that staff are adequately trained; that managers are aware of the risks to products and the environment of crop diseases and their treatment; and that they are equipped for informed decision-taking and accurate application of any materials used for disease or pest control. Where appropriate, as with most greenhouse crops, ICMS and its related technology, Integrated Pest Management, involves the almost exclusive use of biological (bug eating bug) control of pests.

Sainsbury, along with most other major supermarket chains, has also been a member of the mould-breaking NFU-Retailer Partnership set up a few years ago. For the first time ever, it brought together and united growers and competing retailers around one table and ultimately around one policy. Using the principles of Integrated Crop Management as its guide, the partnership has now written and agreed detailed production protocols for about 30 vegetable and fruit crops. These have been accepted by the retailers and adopted as standard by most UK suppliers to them.

In short, a great deal has already been achieved. According to Sainsbury, these activities led in 1995 to 77 per cent of all the British-grown fresh produce sold in its stores being produced to ICMS standards. By the end of this year, that figure is expected to be 88 per cent. Of the fresh produce Sainsbury imported in 1995 around 31 per cent in 1995 was grown to ICMS standards; and by the end of 1996 the figure is forecast to rise to 60 per cent. The target is that all fresh produce sold by Sainsbury, whether home-grown or imported, should be produced to those standards. And although the company declined to name a specific date by which this should be achieved, the title of the project, "Vision 2000", may provide a clue.

Some of the embassy staff, especially those from other European Union countries and the US, who attended the Sainsbury meeting were familiar with ICMS and its implications. There are similar initiatives by food retailers and/or governments in many of those countries. Others, however, from less developed countries but for whom exports to companies like Sainsbury, are even more important, were hearing of it for the first time. All appeared to take it very seriously and said they would communicate the details to their agriculture departments.

Sainsbury, meanwhile, is promoting training programmes in key producing countries to speed the culture change that ICMS represents. Last September, for instance, "Project Alicia" was launched for the benefit of key Canary Islands suppliers of tomatoes, cucumbers and peppers. The project is a readily implemented system combining self-audit, independent verification, analysis and review of achievement of ICMS. Reports suggest the introduction of the system has not only improved the safety and sustainability of production but also enabled growers to save costs.

Soundly-based, practical and commercial initiatives like this will have far more effect on the future of the world than a host of repetitive reports, however worthy their intentions.

Theft at South African mines 'increasingly troublesome'

Gold theft was becoming a problem at Randgold and Exploration Company mines and needed to be addressed drastically, the group said yesterday, reports Reuters from Johannesburg.

Speaking at the June quarter gold mining results presentation, Randgold chairman Mr Peter Flack said: "Something which is becoming increasingly troublesome for us is gold theft".

He said thefts had recently been uncovered at Buffelsfontein Gold Mining Company and at East Rand Proprietary Mines.

"Those are ones we know about," Mr Flack said. . . "We've got to place increasing emphasis on this issue."

East Rand Proprietary Mines produced 1,750kg of gold from underground mining in the April-June quarter, compared with 1,650kg in the January-March quarter, and 343kg from surface mining compared with 374kg.

The Buffelsfontein Gold Mining Company produced 1,377kg of gold from underground, compared with 1,084kg in the previous quarter, and 405kg from the surface, compared with 380kg.

World grain stocks seen remaining tight next year

By Alison Maitland

Forecasts for world grain stocks next year remain tight despite better wheat harvest predictions for the US, the world's dominant producer.

The London-based International Grains Council, in its July report, has increased its forecast of wheat stocks at the end of the 1996-97 season to 98m tonnes from 96m tonnes last month.

But it has revised down its prediction for coarse grain stocks to 97m tonnes from 98m tonnes.

Projected increases for the US and Chinese wheat harvests have been offset by reductions for the European Union, Hungary, Romania and India, leaving world wheat output 2m tonnes lower than previously forecast at 560m tonnes. This is still 22m tonnes, or 4 per cent, above last year's output of 538m tonnes.

For the US, the council has increased its wheat crop estimate to 61.5m tonnes, compared with last year's 59.5m tonnes.

The world production estimate for coarse grains is down by 2m tonnes to 876m tonnes because of a downward revision in the projected harvests in Kazakhstan and the US. The US maize crop, sowing of which was delayed by cold and wet weather in the Midwest, is now expected to be 232m tonnes, still well above last year's 187.3m tonnes.

The IGC points out that world coarse grain production would still hit a record, improving on the previous peak of 868m tonnes in 1994, and 10 per cent higher than last year's harvest of 797m tonnes.

● An accelerating slide in Australian wheat prices in the past week was expected to lead to the Australian Wheat Board announcing a significant cut in its export wheat pool price late yesterday, reports Reuters from Sydney.

The Australian market was strongly influenced by Chicago's downward trend last week, setting self-reinforcing patterns in expectation of a pool price cut, traders said.

GrainCorp's Mr Guy Allen put the new crop Australian standard white wheat cash price fall at between A$7 and $8 to Friday's close at about A$188 a tonne.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1456-57	1521-22
Previous	1473-74	1507.5-8.0
High/low	N/A	N/A
AM Official	1255-56	1320-22
Kerb close		N/A
Open int.	221,838	
Total daily turnover	55,540	

■ ALUMINIUM ALLOY ($ per tonne) · ■ LEAD ($ per tonne) · ■ NICKEL ($ per tonne) · ■ TIN ($ per tonne) · ■ ZINC, special high grade ($ per tonne) · ■ COPPER, grade A ($ per tonne) · ■ LME AM Official £/$ rate · ■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	386.0	-0.7	-	-	10	-
Aug	385.0	-0.7	386.0	384.8	23,634	39,861
Oct	387.5	-0.9	389.0	387.5	1,395	12,744

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) · ■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) · ■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) · ■ CRUDE OIL IPE ($/barrel) · ■ HEATING OIL NYMEX (42,000 US galls; c/US galls) · ■ GAS OIL IPE ($/tonne) · ■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) · ■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	111.45	-0.55	112.25	111.80	34	391
Nov	113.30	-0.60	114.30	113.10	111	2,986

■ WHEAT CBT (5,000bu min; cents/60lb bushel) · ■ MAIZE CBT (5,000 bu min; cents/56lb bushel) · ■ BARLEY LCE (£ per tonne) · ■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) · ■ SOYABEAN OIL CBT (60,000lbs; cents/lb) · ■ SOYABEAN MEAL CBT (100 tons; $/ton) · ■ POTATOES LCE (£/tonne) · ■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne) · ■ COCOA CSCE (10 tonnes; $/tonnes) · ■ COCOA (ICCO) (SDR's/tonne) · ■ COFFEE LCE ($/tonne) · ■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) · ■ COFFEE (ICO) (US cents/pound) · ■ WHITE SUGAR LCE ($/tonne) · ■ SUGAR '11' CSCE (112,000lbs; cents/lbs) · ■ COTTON NYCE (50,000lbs; cents/lbs) · ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) · ■ LIVE HOGS CME (40,000lbs; cents/lbs) · ■ PORK BELLIES CME (40,000lbs; cents/lb)

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

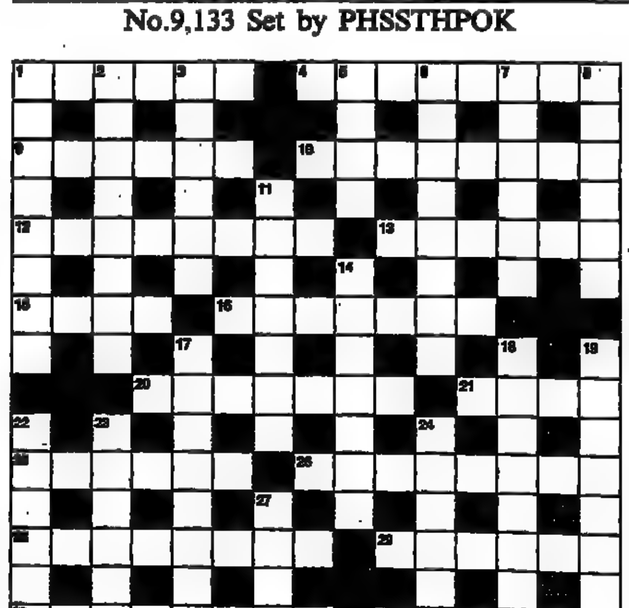
■ REUTERS (Base: 18/9/31=100) · ■ CRB Futures (Base: 1967=100) · ■ GSCI Spot (Base: 1970=100)

[illegible]

JOTTER PAD

CROSSWORD

No.9,133 Set by PHSSTHPOK



ACROSS

1 Empire-holders managed to win medal by striking first (6)
4 Firms incorporated by partners following argument in the Kent area (8)
9 He cuts journalist with hesitation (6)
10 Entire name is about to be delivered (4,4)
12 Complaints led to destruction of salt-mine (8)
13 Aspire to produce glory (6)
15 Long, endless vision (4)
16 Publish newspaper (7)
20 In he, the father, head back to Rest In Peace, perhaps (7)
21 Burn tea on far rim of saucer (4)
25 He has organs to transport to a funeral (6)
26 Oozes not quite without deception (8)
28 Sit across a seat holding back gutted rat (8)
29 Function I have working (6)
30 Appetising sugar follows the speciality (8)
31 Leave in a wire tap (6)

DOWN

1 Practise 25 across again (8)
2 Fungal examination of hollow clay with gloomy result (8)
3 Scene 1 involved relatives (6)
5 Hit using first the head-up display (4)
6 Result of working at filter? (8)
7 Refer me back to medicine (6)
8 Adder found during this season (6)
11 Empty the trash following appropriate secrecy (7)
14 From here stem personal dispositions (7)
17 Inside story is even told in sections (8)
18 Rise to chant about an old coin (8)
19 The most outrageous supporters man the street (8)
22 Innocent husband, a saint in church (6)
23 Vegetable produced by tractor with the front missing (6)
24 When in charge, walk back to the Arctic (6)
27 Plot a map (4)

Solution to Saturday's prize puzzle on Saturday August 10.
Solution to yesterday's prize puzzle on Monday August 12.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Fwd Advisory 0800 414161 Jersey: 01534 71696
Private Client 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	+ or -	Yield Grs
A$ Accum	A$18.883	+0.003	5.40
ASch Accum	Sch247.74	+0.01	2.10
C$ Accum	C$18.589	+0.002	3.50
DM Accum	DM38.145	+0.002	2.10
DFl Accum	Dfl31.542	+0.002	1.70
ECU Accum	Ecu13.309	+0.001	3.20
FFr Accum	FFr86.052	+0.005	2.80
HK$ Accum	HK$120.14	+0.02	4.30
Lire Accum	L23213	+5	8.50
NZ$ Accum	NZ$38.137	+0.009	8.50
NKr Accum	NKr111.89	+0.01	3.30
S$ Accum	S$29.907	+0.001	2.70
SPta Accum	Pta2935.0	+0.4	6.40
£ Accum	£12.663	+0.002	4.70
SKr Accum	SKr120.03	+0.02	4.80
SFr Accum	SFr29.335	—	1.20
US$ Accum	$23.290	+0.002	4.30
Yen Accum	Y2063.6	—	0.10

Prices for dealing July 26

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda. 001 809 292 2799
Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Grs
Eurobond	$15.55	16.34	+0.13	3.90
Money (z)	$14.13	14.84	+0.01	2.89
Mortgage (z)	[illegible]	24.35	+0.08	7.05
North American	$13.51	14.19	-0.20	-
Overseas	$19.95	20.99	-0.39	-
Tiger	$17.33	18.21	-0.39	-
UK Small Cos	£1.35	1.43	-0.01	0.66

Newport Investment Management
20 Reid St, PO Box HM 3099 Hamilton Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda.
Orion Jul 19 $37.06

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port
Lloyds Bank Fund Managers (Guernsey) Ltd

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey
Prudential Money Funds Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey

Rothschild Asset Mngmt - Contd.

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

SBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Baring International Fd Mgrs (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Grs
Australia	$29.09	30.92	-0.08	0.65
Japan Fund	$24.59	25.73	-0.07	0.00
Malay Sing.	$128.50	131.97	-0.85	0.00
Nth American	$36.09	37.94	+0.27	0.00
Octopus Fund	$39.75	41.74	-0.34	0.00
Pacific Fd.	$107.29	112.65	-0.82	0.00
International Bond	$19.55	20.55	-0.07	5.22
Europa Fund	$20.84	21.89	-0.10	0.55
Trojan Warrant	$21.29	22.38	-0.39	0.00
Hong Kong	$115.01	120.77	-0.90	1.15
Global Emerging Mkts	$11.09	11.65	-0.14	0.00
Latin America	$13.60	13.85	-0.14	0.00
Currency Fd-US Dollar	$17.85			4.58
Curr Fd-Managed $	$57.31	60.17	-0.14	5.84
Korea Fund	$8.00	8.46	-0.12	0.00
Taiwan Fund NAV	$08.46		—	0.00
Europe Select Feeder	$8.69	8.88	—	0.00

Barings Mutual (Ireland) Ltd

Odey Asset Management Ltd

Old Mutual International (Ireland) Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV Jul 19	$7.14		—	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£23.35	23.59xd	—	1.14
Lowes Aggressive Portfolio	£10.23	10.78	-0.6000	-
Lowes Defensive Pfolio	£11.74	12.33	—	-
Lowes Optimum Pfolio Ltd.	£11 1	11.64	-0.6000	-
For Schroder Keep Gee see Hesseka				
TSB Fund Managers (CI) Ltd				
TSB Island Pension	702.8	739.8	+0.5	-
Island Equity Acc	122.7	129.1	+0.1	-
WMB Asset Management (Jersey) Ltd				
Plus 500 Em Mkts Dollar Income	$888.14	889.28	+0.64	-
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$255.93	257.22	—	3.85
Excalibur Global Eqty $ *	$78.50	78.90	—	-
Excalibur Stg Global Fixed Inc*	£11.80	11.87xd	—	4.90
Valued weekly * Mondays † Wednesdays				

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg 352 4240

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Fund[illegible]

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ◊ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

MARKET REPORT

Trading sluggish ahead of monetary meeting

By Philip Coggan, Markets Editor

Another London tube strike and the absence of any significant economic news led to a quiet session in the UK equity market yesterday.

Investors seemed to be sitting tight ahead of today's meeting between Mr Kenneth Clarke, the chancellor of the exchequer and Mr Eddie George, the governor of the Bank of England. The odds were thought to be against a further rate cut but the chancellor has surprised the markets before.

Yesterday's consumer credit figures were weaker-than-expected but were thought unlikely to provide the chancellor with a convincing argument for a rate reduction. Plenty of other indicators, such as last week's retail sales numbers, have pointed to the robust health of the consumer sector.

Shares received a modest lift from Friday's strength on Wall Street, where the Dow Jones Industrial Average finished around 50 points ahead. The FT-SE 100 index started the day in positive territory and at its best, after an hour's trading, was 11.1 points up at 3,684.4.

A modest initial setback on Wall Street, where the Dow was 12 points lower by close of London trading, took the edge off Footsie's performance in the afternoon. Traders remain nervousness about the US market, especially as economic data to be published later this week might prompt a US interest rate rise in August.

Footsie ended the day 5.5 points ahead at 3,678.8 while the FT-SE Mid-250 index gained 10.1 to 4,226.1.

With Monday traditionally the quietest day of the trading week and many dealers and investors on their summer holidays, volume was light. By the 6pm count, only 453.0m shares had been traded. Futures volume was also remarkably low. However, the value of customer-related business on Friday was a surprisingly robust £2.2bn, with the help of some late-recorded trades.

The main item of corporate news was the confirmation of talks between Bass and Allied Domecq about the latter's stake in Carlsberg-Tetley. Any deal is likely to face considerable monopoly hurdles.

Speculation also returned to the utilities sector, with East Midlands Electricity once again seen as a target for a US bidder.

The turbulence in the equity market over the past few weeks has still failed to move the FT-SE 100 index decisively out of the 3,650-3,850 range, in which it has been trading for much of 1996. However, institutional investors have recently seemed unenthusiastic about the market and the dividend yield on the All-Share has crept back towards 4 per cent.

Mr Richard Kersley, UK strategist at Barclays de Zoete Wedd, says that "rumbling in the background, there has been a shift from equities towards bonds. That has moved the yield ratio back towards two, which traditionally has been the benchmark below which equities have been good value."

"However, the market may stay in the good value range given the nervousness over Wall Street and corporate earnings" he added. Seven Footsie constituents report figures this week.

Bid talk returns to utilities

Speculation that East Midlands Electricity is to be the next UK electricity utility to be on the receiving end of a bid did the rounds in the market yesterday, driving the shares sharply ahead.

By the end of the session, the shares had gained nearly 5 per cent after jumping 28 to 608p, in trade of 3.1m. The rumours pointed to a cash bid around 700p a share.

The market talk suggested the predator was likely to be a US utility and Houston Industries and Utilicorp were both mentioned as possible suitors for the UK group.

However, analysts indicated East Midlands had held no talks with potential buyers, although the recent weakness in the sector did make the stock and sector as a whole attractive to a possible bidder.

One market watcher said simply, "there are a number of stories doing the rounds but it is difficult to verify if there is a real bid story or it is just a recovery for this stock."

The talk nevertheless sparked interest in a number of other bid favourites in the sector. They included Yorkshire, where the shares gained 11 to 683p, London, 5 ahead at 620p, and Northern, in which the shares firmed 7 to 540p. Volume in both stocks was nominal.

The Avesta Sheffield share price jumped almost 6 per cent in Stockholm, following speculation that British Steel was about to buy the outstanding shares in the company.

BS, which owns 51 per cent of AS, added 2 to 175¼p, but trading volume was a nominal 1.8m shares and most London brokers felt the story was a bit wide of the mark. The view from Stockholm was that BS was a likely bidder, but not for 18 months to two years.

"The steel cycle is turning down and stainless steel commodity grades have fallen 15 per cent in the past two months. There will be better buying opportunities next year", said one leading Stockholm analyst.

He added: "The AS share price contains a bid premium of at least 15 per cent".

United News & Media recorded the day's best performance among Footsie constituents. The shares gained 11 to 649p, on relief in the market that the group's proposed acquisition of exhibitions group Blenheim is unlikely to proceed.

One market strategist said: "United still wants to buy Blenheim but the breakdown in talks indicates it is not willing to overpay for the business." Shares in Blenheim drifted 5 lower to 393p.

There was talk in the market suggesting United News has put in a bid for Pearson's regional newspaper chain Westminster press. Pearson shares hardened a penny to 624p.

Elsewhere in the sector, confirmation that Mirror Group, together with Independent Newspapers, is bidding for Westminster Press served to boost interest in Mirror shares. They put on 3 to 191p, with volume reaching 2.5m by the close.

British Airways ticked up 4 to 518p ahead of next Monday's first quarter results and the prospect of a progress report on the planned marketing link with American Airlines.

Most analysts expect sturdy first quarter progress with the City consensus pointing to profits growth of around 10 per cent. For the full year, they are looking for a 15 per cent gain to £670m.

But what cheered the stock yesterday was hopes for good news on the American Airlines code-sharing link. This has come under fire on several regulatory fronts recently. Some analysts suggest that the ground-breaking deal is still on target.

Airports group BAA eased a penny to 471p following first quarter figures in line with estimates. Bus and train operator Stagecoach continued to improve, hardening 9 to an all-time high of 473p.

Among conglomerates, Tomkins eased 2 to 252p in spite of a positive note from UBS.

The broker reiterated its "buy" stance and set out a target price of 275p for the shares. It sees strong revenue and cash-flow benefits in the $1.4bn Gates Rubber takeover, expects analysts to upgrade earnings estimates before the end of the year and highlights Tomkins' balance sheet strength.

Helped by favourable weekend press comment, Powell Duffryn put on 13 to 422p for a two-day advance of 6 per cent. The stock yields more than 7 per cent and income funds have lately been buyers. The M&G Group, for example, has increased its stake to close to 14 per cent.

Last week's takeover offer for Suter has sparked a sector search for other suitable bid candidates. Kleinwort Benson feels that Powell Duffryn, Staveley and Harrisons & Crosfield offer "good value".

Staveley added a penny to 187p and Harrisons 2 to 126p.

Bargain hunters helped Lloyds TSB regain some of the ground lost on Friday, following the release of interim figures. The shares put on 2½ to 334½p, in trade of 8.4m.

NatWest securities reiterated its positive stance on the stock and advised holders to add to holdings. Explaining its recommendation, analysts at the securities house said: "Profits growth is underpinned by cost control and recovery in the mortgage and insurance sectors, profitability is the highest of the domestic stocks, and risk is below the sector average, reflecting the mortgage orientation of the loan book."

In the rest of the sector, two-way business characterised the day's trading in National Westminster ahead of today's figures. The shares hardened 3 to 628p.

Bass rose 4 to 781p and Allied Domecq rose 6 to 429p after confirmation that Bass was in talks to buy Allied Domecq's 50 per cent stake in Carlsberg-Tetley, its joint venture with Carlsberg.

The rise in Allied was relatively subdued, it was said, because there had been an overhang of stock in the market.

The proposed deal has been mooted for some months and analysts were not surprised by the statement from Bass. It said it had "noted weekend press reports regarding Carlsberg-Tetley and confirms that it is in discussions with both Allied Domecq and Carlsberg regarding the possible purchase of Allied Domecq's 50 pct interest in Carlsberg-Tetley."

No mention was made by Bass of speculation that it is also in talks to buy Carlsberg's stake in the venture, in return for the Danish company taking a stake in Bass's brewing business.

Some analysis suggested that, should Bass buy all of Carlsberg-Tetley it would have a UK market share of nearly 40 per cent, which would provoke competition investigations.

Dalgety, which rose 4 to 348p, announced that Sir Denys Henderson, the former ICI chairman, is to succeed Mr Maurice Warren as chairman at the end of the year.

Hillsdown rose 4½ to 169½p ahead of analysts visiting the company today. Good news was widely expected.

Amstrad, which abandoned merger talks with rival electronics group Psion late on Friday, continued to slide lower, ending off 6 at 154p, after 150p. Psion ended 20 lighter at 403p.

FINANCIAL TIMES EQUITY INDICES

	Jul 29	Jul 26	Jul 25	Jul 24	Jul 23	Yr ago	*High	*Low
Ordinary Share	2703.9	2699.8	2704.8	2692.8	2713.4	2590.1	2895.2	2568.5
Ord. div. yield	4.21	4.21	4.20	4.21	4.14	4.11	4.21	3.76
P/E ratio net	15.93	15.91	15.96	15.92	16.21	15.77	17.25	15.90
P/E ratio nil	15.78	15.75	15.80	15.76	16.09	15.42	17.03	15.71

Ordinary Share index since compilation: high 2895.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2702.8	2705.3	2707.5	2708.8	2707.0	2706.0	2705.6	2704.4	2704.7	2708.2	2702.3

	Jul 29	Jul 26	Jul 25	Jul 24	Jul 23	Yr ago
SEAQ bargains	27,338	24,241	24,518	25,486	25,479	25,325
Equity turnover (£m)†	-	2233.0	2051.7	1493.9	1376.1	1257.9
Equity bargains†	-	26,856	28,679	28,614	29,132	37,330
Shares traded (m)†	-	844.4	774.5	487.4	496.9	493.8

†Excluding intra-market business and overseas turnover.

	Jul 29	Jul 26	Jul 25	Jul 24	Jul 23	Yr ago	*High	*Low
FT-SE AIM	1054.00	1049.90	1048.10	1048.40	1055.20	-	1140.40	965.70

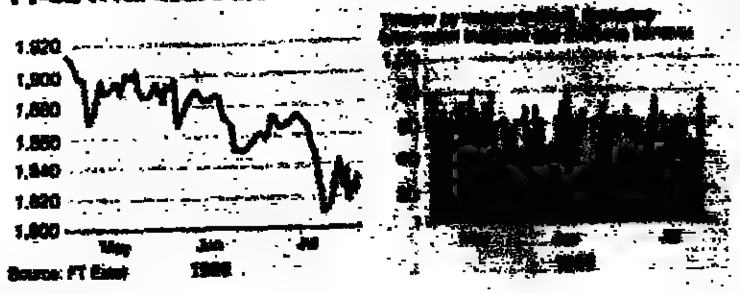
*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	491	Total Highs	33	Total contracts	8,750
Total Falls	630	Total Lows	74	Calls	4,590
Same	1,587			Puts	4,160

Jul 29 *Data based on Equity shares listed on the London Share Service.

FT-SE-A All-Share Index



Source: FT Extel

Indices and ratios

FT-SE 100	3678.8	+5.5	FT Ordinary index	2703.9	+4.1
FT-SE Mid 250	4226.1	+10.1	FT-SE-A Non Fins p/e	16.87	16.85
FT-SE-A 350	1846.1	+3.2	FT-SE 100 Fut Jul	3674.0	0.0
FT-SE-A All-Share	1826.79	+2.88	10 yr Gilt yield	7.90	7.87
FT-SE-A All-Share yield	3.96	3.97	Long gilt/equity yld ratio	2.08	2.08

Best performing sectors

1 Electricity +1.0
2 Alcoholic Beverages +0.7
3 Retailers, Food +0.7
4 Leisure & Hotels +0.6
5 Water +0.6

Worst performing sectors

1 Tobacco -1.4
2 Household Goods -0.4
3 Chemicals -0.3
4 Oil Exploration -0.3
5 Electronic & Elec -0.3

FUTURES AND OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. For a full explanation of all other symbols please refer to The London Share Service notes.

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

FT GOLD MINES INDEX

	Jul 29	% chg on day	Jul 26						
Gold Mines Index (31)	1983.82	+0.7	1969.87	2605.42	1.49	-	2699.72	1765.98	
■ Regional Indices									
Africa (13)	2610.69	-2.4	2672.92	[illegible]					
Australasia (7)	2161.02	-0.5	2171.42	[illegible]					
North America (11)	1741.78	-2.2	1781.95	[illegible]					

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FT-SE Actuaries Share Indices — The UK Series

	Jul 29	Day's chge%	Jul 26	Jul 25	Jul 24	Year ago
FT-SE 100	3678.8	+0.1	3673.3	3684.7	3658.8	3483.2
FT-SE Mid 250	4226.1	+0.3	4215.5	4205.3	4182.0	3826.0
FT-SE Mid 250 ex Inv Trusts	4261.0	+0.3	4248.9	4238.3	4215.5	3838.7
FT-SE-A 350	1846.1	+0.2	1842.9	1846.5	1836.0	1723.5
FT-SE-A 350 Higher Yield	1779.9	+0.2	1775.8	1770.2	1770.4	1718.6

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times Limited and are used by FT-SE International Limited under licence.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 29 / Sch)

BELGIUM/LUXEMBOURG (Jul 29 / Frs.)

CZECH REP (Jul 29 / Koruna)

DENMARK (Jul 29 / Kr)

FINLAND (Jul 29 / Mkk)

FRANCE (Jul 29 / Frs.)

GERMANY (Jul 29 / Dm.)

GREECE (Jul 29 / Drachma)

ITALY (Jul 29 / Lira)

NORWAY (Jul 29 / Kroner)

POLAND (Jul 29 / Zloty)

PORTUGAL (Jul 29 / Escudo)

SPAIN (Jul 29 / Pta.)

NETHERLANDS (Jul 29 / Fls.)

SWEDEN (Jul 29 / Kronor)

SWITZERLAND (Jul 29 / Frs.)

TURKEY (Jul 29 / Tk Lira)

PACIFIC

JAPAN (Jul 29 / Yen)

AUSTRALIA (Jul 29 / Aus$)

HONG KONG (Jul 29 / H.K.$)

INDONESIA (Jul 29 / Rupiah)

MALAYSIA (Jul 29 / MYR)

NEW ZEALAND (Jul 29 / NZ $)

SINGAPORE (Jul 29 / S$)

SOUTH KOREA (Jul 29 / Won)

TAIWAN (Jul 29 / TW $)

THAILAND (Jul 29 / Baht)

AFRICA

SOUTH AFRICA (Jul 29 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jul 29 / Can $) 4 pm close

MONTREAL (Jul 29 / Can $) 4 pm close

FT FREE ANNUAL REPORTS SERVICE

INDICES

US INDICES

NYSE Comp.	340.87	336.37	336.07	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	539.15	532.59	525.00	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1079.44	1062.39	1042.37	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jul 26	Jul 19	Jul 12	Year ago
Dow Jones Ind. Div. Yield	2.28	2.30	2.26	2.42
	Jul 17	Jul 10	Jul 3	Year ago
S & P Ind. Div. yield	2.32	2.03	na	2.07
S & P Ind. P/E ratio	18.83	21.97	na	18.68

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron Tch	6,412,300	19⅝	+1⅝
Compaq	5,135,900	53	+1¼
IBM	3,985,900	104	+⅛
LSI Logic	3,436,200	20⅝	+2⅝
Pepsico	3,215,300	31¼	+⅛
Walt Disney	3,086,400	54	-⅛
YPF	3,004,800	20⅝	-⅛
AT & T	3,012,100	51¼	+⅝
Schering-P	2,624,900	55⅝	-1¼
Glaxo Wl	2,428,800	27⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jul 26	Jul 25	Jul 24
New York SE	349.842	403.817	460.980
Amex	15.425	17.876	24.825
NASDAQ	485.185	555.383	691.273
NYSE			
Issues Traded	3,134	3,127	3,164
Rises	1,547	1,532	846
Falls	795	826	1,620
Unchanged	792	769	699
New Highs	23	18	3
New Lows	50	68	174

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	639.25	637.50	-1.85	641.10	636.90	46,464	179,519
Dec	642.30	643.00	-2.15	643.30	642.30	270	8,571

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	21230.0	20970.0	-110.0	21240.0	20970.0	14,064	233,239
Dec	21120.0	21210.0	+100.0	21210.0	21120.0	2	12,007

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, July 29, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	9.2m	357	+8	Kanematsu	3.4m	617	-33
Kobe Steel	5.8m	299	+3	Sumitomo Mtl	3.3m	309	-2
NKK Corp	4.6m	300	+1	Takara Shuzo	3.1m	1020	+20
Nagasakiya	4.6m	761	-71	Mitsubishi Hvy	2.4m	900	+2
Kawasaki Steel	3.7m	375	+2	Hitachi	2.1m	970	-5

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 29

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR x	0.48	2.5	19	793	19¼	18⅝	19⅛	+⅞
48⅛	30⅛	AMP	1.00	2.7	17	5551	37½	36⅝	36¾	-⅝
97½	66	AMR			15	2078	79¾	76⅞	77⅛	-1⅝
50½	37⅞	ASA	1.80	4.7	25	94	38⅞	38½	38½	+½
45¼	38⅛	AbbtL	0.96	2.2	19	4971	44⅞	44	44⅛	-½
17¼	12¼	Abitibi Pr	0.40	3.2	6	554	12¾	12½	12½	-⅛
40⅝	27	ABM Ind	0.70	2.0	18	104	36⅞	35⅛	35⅛	-1⅛
18⅝	13⅞	Acptncein			46	34	17⅞	17⅞	17⅞	-⅛
50⅞	37¾	ACE Ltd	0.58	1.3	10	312	44	43⅝	43⅞	-⅛
10	9⅛	ACM Gvt In	0.90	9.1	8	89	9⅞	9¾	9⅞	
7⅞	6⅞	ACM GvOpp	0.57	8.1		259	7	7	7	
7¼	6	ACM Gvt Sp	0.66	10.2		324	[illegible]	6½	6½	
9⅛	8¼	ACM Gvt Se	0.90	10.3		112	[illegible]	8¾	8¾	-⅛
9½	8⅞	ACM Man	0.90	10.0		224	9	8⅞	9	+⅛
13⅞	6⅛	Acme Elect			41	41	7¾	7½	7½	+⅛
33¾	27¾	Acordia	0.80	2.6	18	15	31	31	31	
21⅞	12	Acuson			64	212	13	12⅞	12⅞	
19½	17⅞	Adams Expr	0.48	2.6	0	110	18⅜	18¼	18¼	-⅛
21¼	10¼	AdvMic			7	7379	12⅝	12⅛	12⅛	-¼
11⅞	8½	Advest Grp	0.16	1.6	7	20	9⅞	9¾	9⅞	
28⅛	9⅛	Advo Inc	0.10	1.0	481	61	9⅝	9⅜	9⅝	
50⅞	41⅛	Aegon	1.19	2.7	13	39	44⅝	44⅜	44½	-¼
6¾	3½	Aerflx			3	364	5	4⅞	4⅞	
78¾	55⅞	Aetna	2.76	4.4	16	15987	62½	61⅛	62⅛	
33	28¼	Aflac	0.40	1.3	13	2601	32	31½	31⅞	+¼
20⅞	17⅛	AGL Res	1.06	5.8	16	571	18⅛	17⅞	18⅛	+⅛
28	21¾	Ahmnsn	0.88	3.5	7	631	25⅜	24⅞	25	-⅛
60⅞	50⅜	AirPrC	1.10	2.1	13	2203	52½	51¾	52	-¼
28⅜	20¾	Airbrne Frt	0.30	1.4	14	1610	21½	d20¾	21⅛	-⅛
22½	15½	Airgas Inc			30	655	18¾	18⅜	18⅝	+⅛
18⅞	15	Airlease	1.80	11.8	9	57	15¾	15⅛	15¼	-⅝
33⅝	25	AirTch			75	5156	26¾	26⅛	26⅜	-¼
30¾	15⅞	Alaska Air	0.20	0.9	8	757	23⅝	22⅝	22¾	-¾

[illegible]

Continued on next page

NYSE PRICES

4 pm close July 29

Continued from previous page

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev Close
20 3/8	12	ScIAE	0.08	0.5	38	706	13 5/8	13 1/8	13 3/8	-1/4
21	17	Scallman	0.10	0.5	11	53	19 3/4	19 5/8	19 3/4	-1/8
47 1/2	38 1/8	Scripps	0.52	1.3	23	92	41 3/4	41 1/2	41 1/2	-1/4
18 1/8	13 1/4	ScuddNAcF	0.02	0.1		190	13 3/4	13 1/2	13 1/2	-1/4
12 7/8	11	ScuddrNEaF	0.16	1.3		73	12	12	12	
20 1/2	16	SeaCoS	0.17	1.0	2	26	18 1/8	17 3/4	17 3/4	
16	15	SeaC1.4625	1.46	9.6		z100	15 1/4	15 1/4	15 1/4	-1/4
57 3/4	38 1/8	S'gate			22	9057	48 3/4	47 1/8	47 3/8	-1/4
38 5/8	30 7/8	Seagram	0.60	1.9	22	1246	32 3/8	32	32	-1/4
26	17 1/8	Seagull En			12	1971	18 5/8	18 1/4	18 1/2	+1/4
38 1/8	25	Sealed Air			23	182	34 1/8	33 5/8	33 3/4	-1/4
53 7/8	39 1/4	SearsR	0.92	2.2	15	11802	43 1/8	41 3/8	42	+1/2
22 3/8	19 1/4	SecCapSSI	1.24	6.0	19	824	20 7/8	20 1/2	20 3/4	+1/4
[illegible]	[illegible]	[illegible] Sel x	0.84	6.9		57	12 3/8	12 1/4	12 1/4	
22 3/4	13 5/8	Sensormat	0.22	1.5	12	1766	15 1/4	14 7/8	14 7/8	-1/4
44 7/8	29 1/2	SequaA	0.60	1.5	105	74	40 3/4	40 1/2	40 1/4	-5/8
50	30	SequaB	0.50	1.0	126	11	48	48	48	-1/4
60 1/4	38 7/8	ServCp	0.46	0.8	27	1982	56 7/8	55 3/4	55 7/8	+5/8
29 1/2	19 1/2	SvMstr	0.68	3.0	14	477	22 3/4	22 1/2	22 3/4	
6 3/4	4 1/2	ServMerch			10	1919	4 3/4	4 1/2	4 5/8	+1/8
48 3/4	28 1/2	SGSThm			7	1207	34 3/4	33 3/4	33 7/8	-1/2
15 7/8	10 5/8	Shaw Ind	0.30	2.1	35	3976	14	13 5/8	14	+3/8
12 7/8	10 1/8	Shelby Wil	0.32	2.7	19	59	12	11 3/4	11 7/8	+1/8
88 7/8	76 5/8	ShellTr	3.26	3.8	17	199	85 1/2	84 3/4	85	
47	39	SherW	0.70	1.6	17	794	44	43 5/8	43 3/4	
13 3/8	7 7/8	Shoneys			10	365	9 1/8	9 1/8	9 1/8	
35 1/2	19 3/4	Showboat	0.10	0.5	39	648	21 1/8	20 5/8	20 5/8	-1/8
25 7/8	22 3/4	Sierra Pac x	1.16	4.8	11	222	24 7/8	24 5/8	24 5/8	-1/4
5	4	SignalApp			1	3	4	4	4	
27 1/4	20	Signet Bnk	0.58	2.7	11	1171	21 3/4	21 3/8	21 3/8	-1/8
30 3/8	20	SiliconGr			18	3104	23 1/2	23	23	-1/4
9 1/4	7 7/8	Sizeler	0.88	10.1	29	3	8 3/4	8 5/8	8 3/4	+1/8
4 1/4	2 1/2	Sizzler	0.16	5.8	0	298	2 3/4	2 5/8	2 3/4	
26 1/4	19 3/4	Skyline	0.60	2.5	13	161	24 1/4	23 7/8	24 1/8	+1/8

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close July 29

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX PRICES

4 pm close July 29

AMERICA

BA welcomes new minister with 2.9% rebound

Buenos Aires rebounded 2.9 per cent at midsession on news that the central bank chairman, Mr Roque Fernández, was to replace Mr Domingo Cavallo who departed on Friday as economy minister. The Merval index, which dropped 4.1 per cent on Friday, recouped 14.72 to 519.58 at midsession as analysts tentatively welcomed the appointment of Mr Fernández. They said that the low profile technocrat who had worked with Mr Cavallo since 1991 would defend economic stability and the convertibility system which pegged the peso to the dollar.

Other regional markets were less fortunate.

MEXICO CITY edged down on worries that the fallout of events in Argenina could spook international investors in the region. The IPC index was 12.46 weaker by midsession at 2,978.47.

SAO PAULO's Bovespa index was 194 weaker at 59,491, waiting for a clearer picture.

US stocks hover as investors wait for data

Wall Street

A quiet morning on the bond market and only a trickle of companies reporting earnings led US shares to hover near their levels of late Friday in midsession trading, *writes Lisa Bransten in New York.*

At 12:30 pm, the Dow Jones Industrial Average was off 5.55 at 5,467.51, and the more broadly based Standard & Poor's 500 fell 1.04 at 634.86. The American Stock Exchange composite was 0.34 weaker at 538.81. NYSE volume was low at 141m shares.

Bonds slipped in early trading with the yield on the benchmark 30-year Treasury holding above 7 per cent amid nervousness about data due to be released later this week. Investors on both the stock and bond markets were waiting anxiously for Friday's figures on July employment, to judge whether the Federal Reserve would raise interest rates next month.

The technology-rich Nasdaq composite, hardest hit among the major indices in recent weeks, managed a small gain amid some improvement in larger capitalisation technology shares. In early afternoon trading the Nadsdaq added 1.41 at 1,080.85 while the Pacific Stock Exchange technology index was nearly flat.

Large cap stocks such as Oracle, up $⅝ at $38⅝ and Microsoft, $⅝ stronger at $119⅝, managed to gain some ground while less established companies faltered. Netscape lost $2¾ at $41½, Iomega was $1¼ lower at $17 and Cybercash shed $3¾ at $34.

Elsewhere, W.R. Grace and Minnesota Mining & Manufacturing, both managed to post small gains after reporting earnings ahead of analysts' expectations. Grace advanced $⅝ at $63¼ after earnings of 78 cents a share, two cents ahead of estimates, and 3M, which is a component of the Dow, added $⅝ at $64¼ on earnings of 91 cents a share, a cent ahead of forecasts.

Tyson Foods, the US poultry company, shed $⅝ at $26 after reporting earnings of 10 cents a share, exactly in line with forecasts.

Reebok, the athletic shoe and clothing maker, added $3½ or 11 per cent at $34⅞ after its board approved a 24m share buyback.

Canada

Toronto was weak at midsession, depressed by profit-taking and slumping gold prices. The TSE-300 composite index was 25.78 lower by noon at 4,907.50 in modest volume of 19.4m shares.

Newbridge Networks plunged C$6.90 to C$59.05 after an analyst at Needham warned that first quarter revenue and earnings would fall well short of his forecasts. Other analysts said, however, that the Needham forecasts were above the consensus and that it was merely adjusting numbers to come into line.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	-0.72	-5.59	-3.83	+5.83	+2.09	+2.27
Belgium	-0.99	-2.31	+11.80	+4.00	+0.05	+0.22
Denmark	-1.28	-1.39	+11.16	+9.55	+6.01	+6.20
Finland	-0.99	-3.46	-22.63	+5.92	+2.15	+2.33
France	-1.43	-6.99	+4.07	+7.96	+4.84	+5.02
Germany	-1.84	-3.58	+6.01	+7.95	+4.15	+4.33
Ireland	-0.60	-5.25	+14.09	+6.77	+7.49	+7.68
Italy	-3.19	-8.46	-9.62	-1.71	+1.97	+2.14
Netherlands	-2.78	-7.39	+14.89	+7.64	+3.56	+3.74
Norway	-1.21	-2.62	+7.98	+8.53	+7.32	+7.51
Spain	-2.31	-7.04	+17.95	+9.00	+4.65	+4.82
Sweden	-2.53	-6.07	+7.93	+7.68	+6.21	+6.40
Switzerland	-3.59	-5.53	+23.71	+6.29	+0.95	+1.12
UK	-0.95	-0.85	+6.46	+0.30	+0.30	+0.46
EUROPE	-1.80	-4.05	+8.16	+4.37	+2.47	+2.64
Australia	-0.39	-3.80	-0.23	-3.63	+1.89	+2.06
Hong Kong	-2.27	-4.57	+12.03	+6.39	+6.19	+6.37
Japan	-1.45	-8.48	+21.21	+0.54	-4.38	-4.21
Malaysia	-4.66	-5.21	-0.27	+7.43	+9.25	+9.43
New Zealand	+2.49	+1.98	-3.51	-2.13	+4.10	+4.26
Singapore	-3.86	-7.32	+0.34	-5.29	-5.58	-5.42
Canada	-1.20	-1.76	+6.75	+5.83	+4.89	+5.07
USA	-0.37	-5.08	+13.04	+3.04	+2.86	+3.04
Mexico	-3.60	-8.30	+22.64	+7.42	+8.78	+8.96
South Africa	-2.80	-4.46	+19.93	+6.71	-12.92	-12.77
WORLD INDEX	-1.19	-5.07	+13.23	+2.90	+0.99	+1.16

† Based on July 26th 1996.

EUROPE

Frankfurt mixed as success lifts financial stocks

There were a couple of success stories in FRANKFURT's financial sector, but the broad market was mixed in extremely thin trading, as the Dax index rose 2.74 to an Ibis-indicated 2,472.75. Turnover fell from DM5.4bn to DM4.5bn.

In financials, Allianz climbed DM43 to DM2,666 after the big insurer forecast double digit profits growth this year, although less than the 34 per cent gain of 1995, and said that it hoped to increase its net return on equity from 11.2 to 15 per cent over the next three years. The research wing of Deutsche Bank, Deutsche Morgan Grenfell, increased its 1996 earnings per share forecast for Allianz from DM76.50 to DM79.10 a share.

Meanwhile, Depfa, the mortgage bank, said that its first half operating profits were up 30 per cent, and the shares rose 97 pfg to DM60.97.

MILAN featured a 6.9 per cent tumble in Olivetti on continuing worries over its troubled PC business. The shares fell L52 to L713, matching their low for the year set on March 14, amid speculation that a foreign fund was lightening its portfolio.

The broad market was also weak. The Comit index fell 0.95 to 598.73 while the real-time Mibtel index dropped 89 to 9,489.

Against the trend, Banco Di Napoli jumped L36.2 to L582.5 on news that the government aimed to speed the privatisation of the troubled bank.

Mediaset, the TV and advertising group, lost L99 to L7,024 after a block trade of 1m shares at L7,050. The newly quoted company, which entered the Morgan Stanley Capital International index at the close of yesterday's trade, has been under pressure after the government approved a draft broadcasting bill, which could restrict advertising and hurt revenues.

ZURICH gave back most of its midday gains, but still closed higher on the day, with many investors hesitant ahead of various US economic data later in the week. The SMI index turned back from a high of 3,569.9 to finish 11.7 ahead at 3,549.5, with the national day holiday on Thursday and the start of trading on the new electronic bourse on Friday cited as additional reasons for the slack trade.

Among financials, Swiss Re collected SFr11 to SFr1,214 while Zurich Insurance, which launched its ADR programme in New York, added SFr1 to SFr316.

UBS, which reports first half results early next week, failed to hold on to morning gains and declined SFr1 to SFr1,185.

Roche's certificates, up SFr30 to SFr9,960, were also off intra-session highs. Sandoz added SFr7 to SFr1,342 and Ciba rose SFr3 to SFr1,430.

Among second tier stocks, Esec lost SFr135 to SFr4,575 on profit-taking, and on the weak tendency in US high technology shares.

The heavily traded electronics retailer, Distefora, the former Interdiscount, retreated SFr1.25 to SFr16 in very volatile trade.

PARIS featured brokers' downgrades for Peugeot's earnings prospects and the shares dropped FFr18 to FFr573.

The Bank of France failed to trim its key intervention rate, but this simply left bonds a little soft and the CAC-40 index closed just 1.76 lower at 1,961.16 in turnover of FFr4.4bn.

A Les Echos report that Rhône Poulenc discussed takeover worries last Thursday left the shares 90 centimes higher at FFr126.80.

MADRID, once again, bemoaned the shortfall which appeared in the Spanish budget last Friday, and the general index fell another 2.65 to 347.63 in moderate turnover of Pta23.9bn.

Tabacalera, in the firing line as the government plans to lift alcohol and tobacco taxes to help bridge the gap, shed anther Pta300, or 4.9 per cent, at Pta5,800 after Friday's 7.6 per cent drop.

STOCKHOLM lifted the steel producer, Avesta Sheffield, by SKr3.50 to SKr63, although its president denied reports that British Steel was about to buy out the 49 per cent stake in the Swedish company that it did not already own. The Affärsvärlden General index, meanwhile, rose 8.9 to 1,882.2.

HELSINKI took the Hex index up 19.60 to 1,977.29. It also left Neste, the energy group, up FM3.90 at FM100, after an early fall to FM91 after news of a crude oil trading loss on Friday, and disappointing profits from its 50 per cent-owned chemicals unit, Borealis, yesterday: the stock had fallen by FM3.90 on Friday but some analysts found it hard to explain yesterday's recovery.

OSLO saw some initial excitement over the offshore technology merger proposal between an Aker unit and Maritime Group. Aker A peaked at NKr132 before they closed NKr1.50 higher at NKr129, and Maritime at NKr175 before ending flat at NKr170. The total index rose 3.67 to 817.85.

TEL AVIV soared 3.6 per cent after the central bank lowered its key lending rate for August by a higher than expected 0.7 of a percentage point to an annual 16.3 per cent. The Mishtanim index, which rose 1.3 per cent on Sunday on expectations of a cut, jumped 2.90 to 179.14.

Africa Israel Investments, up 9.75 per cent on Sunday, jumped another 10 per cent on expectations of the sale of a 37 per cent stake in the company by Bank Leumi for well above the current price. Bank Leumi jumped 8 per cent to Shk354.

ISTANBUL was weak, but in extremely thin volume, as the market awaited details of the Islamist-led coalition's package of measures to boost state revenues, expected shortly.

The IMKB-100 index lost 604.00 at 63,891.41. Analysts noted that today's Treasury bill auction, and a parliamentary vote on whether to extend the US-led air operations protecting Kurds in northern Iraq, were further disincentives.

WARSAW marched another 1.6 per cent higher but analysts said that it was not clear whether gains in the last few sessions marked the end of a three week, 13 per cent downturn that sent the Wig index to 12,581.8 on July 23. The Wig picked up 204.9 to 12,977.4 but in turnover that dipped 11.8 per cent to 86.3m zlotys.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jul 29 / Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1597.42	1598.77	1598.04	1600.94	1600.82	1600.31	1600.34	1600.00
FT-SE Eurotrack 200	1684.19	1684.69	1684.90	1686.94	1688.11	1689.75	1684.90	1684.71

	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22
FT-SE Eurotrack 100	[illegible]	[illegible]	1598.46	1615.82	1619.05
FT-SE Eurotrack 200	1662.92	[illegible]	1642.51	1685.90	1691.28

[illegible]

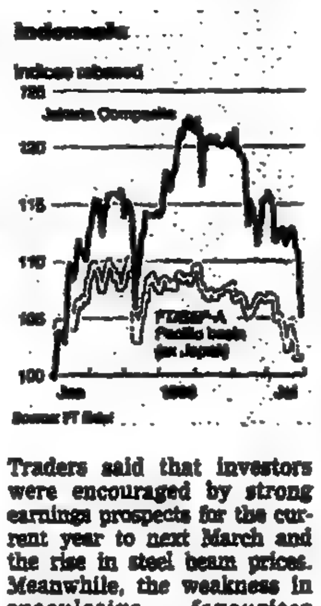
ASIA PACIFIC

Jakarta tumbles 3.7% in response to weekend riots

Jakarta recouped some of its losses late in the day, after falling more than 5 per cent at one stage following Saturday's riots.

However, the composite index still closed down 20.57, or 3.7 per cent, at 540.74, after 527.77; brokers linked to the government were seen buying shares toward the end of the day.

The most actively traded stock, Telkom, fell Rp100 to Rp3,225, with some 16 million shares traded. It touched a day's low of 3,100 rupiah in early trading.



Tokyo

Profit-taking emerged on the first trading day for August settlements, and the Nikkei average lost ground after two days on the upgrade, *writes Emiko Terazono in Tokyo.*

The 225 index fell 157.36 to 20,967.54 after trading between 20,963.83 and 21,284.87. Fund managers were a mixed blessing: domestic institutions and index-linked buying by investment trust funds supported equities in early trading, but profit-taking by banks and other financial institutions depressed the index in later activity.

Volume totalled 263m shares against 290m. The Topix index of all first section stocks fell 5.16 to 1,598.06 and the Nikkei 300 lost 0.83 to 295.80. Declines led advances by 686 to 321 with 192 unchanged.

In London, the ISE/Nikkei 50 index rose 2.99 to 1,414.00.

Foreign investors, who had led profit taking in the face of volatile US share prices last week, bought steel issues. Traders said that investors were encouraged by strong earnings prospects for the current year to next March and the rise in steel beam prices. Meanwhile, the weakness in speculative favourites depressed investor confidence, prompting profit-taking by domestic investors.

Nippon Steel, the most active issue of the day, rose Y8 to Y357 and Kobe Steel Y3 to Y289. Shipbuilders, however, were lower, with Kawasaki Heavy Industries down Y7 at Y511. Car stocks were higher.

Takara Shuzo, a "shochu" distilled white spirits manufacturer, rose Y20 to Y1,020 on reports that the company had been given a patent in the US on a special gene technology.

High-technology stocks were lower on profit-taking. Hitachi fell Y5 to Y970 and Fujitsu Y3 to Y955. Consumer electronics stocks also lost ground, Matsushita Electric Industrial retreating Y20 to Y1,840 and Sony Y30 to Y6,800.

Speculative favourites were lower on profit-taking by individual investors. Nagasakiya, the supermarket chain, slipped Y71 to Y781, Kanematsu, the trading company, declined Y33 to Y617 and Daido Steel Sheet fell Y100 to Y1,530.

Dantani, a housing material company, lost Y35 to Y515 on reports that the company will not pay a dividend for the current year ending in November.

In Osaka, the OSE average fell 2.18 to 22,140.28.

Roundup

A gloomy view of recent developments, including the economic slowdown and problems at Amcol, left SINGAPORE at a low for the year. The Straits Times Industrials index dropped 31.39 to 2,098.60 with falls in just three shares accounting for half the fall.

Fraser & Neave fell 60 cents to S$14.20, Cycle &Carriage lost 20 cents to S$12.30 and Singapore Bus Service dropped 15 cents to S$12.30.

CarnaudMetalbox led losers, falling 96 cents to a year's low of S$3.94.

MANILA followed last week's 5.1 per cent decline with a further 1.3 per cent drop and the composite index closed 41.17 lower at 3,023.43. Property stocks were once again among the biggest losers, with the sector index dropping 3.19, or 2 per cent to 157.96 in late trade.

Some brokers said that properties were hit by fears over interest rates moves; others that they were reflecting overall market sentiment.

BANGKOK worried about the Thai economy and expected poor corporate earnings for the second quarter, and the SET index ended 13.21 lower at 1,087.02 in turnover of Bt3.2bn.

TAIPEI took profits after a 2 per cent gain on Saturday, and the weighted index closed 38.90 lower at 6,128.66 in modest turnover of T$38.63bn. The financials and electronics sectors lost 1.1, and 1.0 per cent respectively.

SEOUL edged ahead, recouping some of Saturday's losses, on selective buying of theme-backed stocks and bargain hunting. However, analysts noted that overall sentiment remained weak on worries about an economic slowdown. The composite index closed 0.60 higher at 805.15, with the announcement of a record six-month current account deficit already discounted.

HONG KONG finished weak, in spite of Friday's rally on Wall Street, as today's expiry of July futures and a heavy calendar of US data this week kept many investors sidelined. The Hang Seng index closed 63.77 lower at 10,681.60.

BOMBAY was 1.9 per cent lower as foreign funds sold heavily weighted index stocks and speculators climbed aboard the sellers' bandwagon. The BSE fell 63.99 to [illegible].

WELLINGTON racked up a second successive percentage point gain. The NZSE-40 capital index ended 20.29 higher at 2,142.78 in turnover of [illegible].

SHENZHEN was sharply higher on a report that the central bank had renewed its crackdown on commodities futures trading, raising the prospect that speculative funds would flow from derivatives to equities. The A index of shares available only to local investors jumped 17.47 to 323.71, while the hard currency B index picked up 2.62 to [illegible].

● Kuala Lumpur, Karachi, Colombo and Dhaka were closed.

S Africa ahead in weak trade

An absence of significant local developments left Johannesburg to mimic Friday's performance on Wall Street but turnover of just R297m was sharply below the R350m-R450m that would be more usual at this time of year. The overall index gained 22.7 to 6,657.8, industrials rose 26.2 to 7,872.1 and golds added 23.0 to 1,766.9. Analysts expressed surprise at the gains made in the gold sector, given that the bullion price lost ground. Among the miners, Driefontein Consolidated enjoyed a R1.25 gain to R58.25 and Free State Consolidated Gold Mines rose 80 cents to R46.30.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 26 1996								THURSDAY JULY 25 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	193.95	1.6	184.90	132.75	[illegible]	163.75	1.5	4.40	190.90	181.76	130.55	146.72	161.31	212.18	177.96	182.32
Austria (24)	178.50	0.3	170.19	122.17	137.49	137.36	0.5	2.05	178.00	169.46	121.78	136.81	136.75	196.62	[illegible]	196.57
Belgium (27)	209.60	0.1	199.81	143.45	161.57	157.89	0.3	4.22	209.39	199.36	143.23	160.84	157.44	215.81	186.06	201.07
Brazil (28)	171.85	-1.6	163.83	117.49	132.15	318.80	-1.6	2.04	174.45	166.10	119.33	134.08	323.84	182.70	123.87	136.52
Canada (119)	155.97	0.7	148.68	106.75	120.08	155.15	0.7	2.31	154.92	147.50	105.97	119.07	154.08	165.12	134.14	147.80
Denmark (30)	306.66	0.0	292.34	209.89	236.10	238.45	0.2	1.98	306.70	292.01	209.79	235.73	237.97	309.94	270.89	292.80
Finland (23)	191.42	0.4	182.48	131.01	147.38	180.88	0.5	2.77	190.66	181.55	130.44	146.56	179.70	276.11	171.73	254.86
France (95)	188.42	-0.6	179.62	128.96	145.07	148.58	-0.5	3.24	189.99	180.90	129.96	146.03	149.38	199.39	167.70	189.50
Germany (59)	170.76	-0.1	162.81	116.89	131.48	131.49	0.1	1.85	170.86	162.68	116.86	131.32	131.32	174.36	156.66	167.53
Hong Kong (59)	412.39	-0.1	393.13	282.24	317.49	409.42	-0.1	3.50	412.68	392.92	282.29	317.19	409.73	431.19	349.81	387.39
Indonesia (27)	196.55	-1.3	187.37	134.52	151.32	261.30	-1.2	1.88	199.19	189.65	136.26	153.10	264.60	-	-	-
Ireland (18)	275.13	0.6	262.28	188.31	211.82	239.89	0.6	3.58	273.46	260.37	187.05	210.18	238.01	290.82	235.88	248.87
Italy (58)	75.28	-0.6	71.77	51.53	57.96	85.84	0.0	2.58	75.71	72.09	51.79	58.19	85.84	84.53	67.22	79.57
Japan (481)	148.40	0.8	141.47	101.57	114.25	101.57	0.9	0.75	147.20	140.16	100.69	113.13	100.69	164.85	137.75	150.99
Malaysia (107)	530.89	-1.1	506.10	363.35	408.73	509.63	-1.0	1.76	536.52	510.82	367.07	412.45	514.53	595.09	425.77	540.94
Mexico (18)	1128.63	-0.1	1075.93	772.46	868.93	9372.76	0.0	1.42	1129.49	1075.40	772.61	868.12	9369.98	1325.85	781.89	1146.89
Netherland (19)	282.92	-1.0	269.71	193.64	217.82	214.78	-0.6	3.36	285.68	272.00	195.42	219.58	216.61	289.69	245.79	263.99
New Zealand (15)	83.07	1.4	79.19	56.85	63.95	63.31	1.4	4.29	81.95	78.03	56.06	62.99	62.46	84.71	75.94	83.32
Norway (35)	248.65	-0.3	237.03	170.18	191.43	215.25	-0.1	2.10	249.53	237.58	170.69	191.79	215.45	258.94	222.24	239.27
Philippines (22)	198.26	-1.1	189.00	135.69	152.64	258.76	-1.1	0.69	200.35	190.76	137.05	153.99	261.54	-	-	-
Singapore (44)	385.14	-0.7	367.16	263.60	296.52	251.39	-0.6	1.51	387.75	369.19	265.24	298.02	252.93	465.21	365.81	389.04
South Africa (44)	336.73	-1.0	321.01	230.47	259.25	328.22	-0.3	2.26	340.25	323.95	232.74	261.51	329.19	437.78	336.75	343.57
Spain (37)	173.16	-1.7	165.08	118.52	133.32	165.49	-1.2	3.53	176.15	167.71	120.49	135.39	167.44	183.66	145.16	166.76
Sweden (48)	338.31	-0.3	322.51	231.55	260.47	329.72	0.2	2.58	339.23	322.99	232.05	260.73	328.94	360.77	280.13	281.36
Switzerland (37)	238.64	-0.1	227.50	163.33	183.73	176.84	0.1	1.65	238.90	227.46	163.41	183.61	176.73	252.34	191.24	202.76
Thailand (45)	144.91	-2.4	138.15	99.18	111.57	142.35	-2.5	2.82	148.53	141.42	101.60	114.16	145.74	193.95	144.91	175.53
United Kingdom (199)	231.64	-0.4	220.82	158.54	178.34	220.82	-0.2	4.25	232.51	221.38	159.05	178.71	221.38	237.48	218.82	223.34
USA (628)	258.88	0.8	246.79	177.18	199.31	258.88	0.6	2.26	256.75	244.45	175.62	197.33	256.75	276.47	226.74	229.02
Americas (791)	236.68	0.8	225.62	161.99	182.22	199.06	0.6	2.27	234.82	223.58	160.63	180.48	197.48	252.43	208.19	209.90
Europe (705)	206.18	-0.4	196.55	141.12	158.74	177.32	-0.2	3.19	207.08	197.15	141.64	159.15	177.62	215.30	189.33	197.56
Nordic (136)	295.21	-0.1	281.42	202.05	227.28	251.69	0.2	2.45	295.56	281.51	202.25	227.25	251.12	305.61	261.13	281.67
Pacific Basin (880)	160.56	0.7	153.06	109.89	123.62	112.12	0.7	1.22	159.61	151.97	109.11	122.60	111.38	177.01	146.86	161.64
Euro-Pacific (1585)	179.48	0.1	171.09	122.82	138.16	136.81	0.3	2.16	179.21	170.63	122.59	137.74	136.45	190.57	166.51	175.46
North America (745)	252.59	0.8	240.79	172.88	194.47	252.00	0.8	2.28	250.53	238.53	171.37	192.55	249.94	269.62	221.79	223.90
Europe Ex. UK (507)	187.44	-0.5	178.69	128.29	144.31	152.08	-0.2	2.61	188.29	179.28	128.80	144.72	152.35	194.36	160.65	178.95
Pacific Ex. Japan (399)	273.99	0.0	261.20	187.53	210.95	236.53	0.0	3.10	273.91	260.79	187.36	210.52	236.44	298.66	243.58	262.39
World Ex. US (1793)	180.55	0.1	172.12	123.57	139.01	141.20	0.3	2.16	180.33	171.70	123.35	138.60	140.83	191.55	167.36	177.25
World Ex. UK (2222)	202.04	0.5	192.60	138.28	155.55	170.46	0.6	2.01	201.03	191.41	137.52	154.51	169.48	213.05	185.61	190.01
World Ex. Japan (1940)	235.67	0.3	224.66	161.29	181.44	221.96	0.4	2.64	234.95	223.70	160.72	180.58	221.10	247.65	212.62	216.78
The World Index (2421)	204.64	0.4	195.08	140.06	157.55	175.06	0.5	2.21	203.79	194.03	139.40	156.63	174.19	214.95	186.40	192.93

CONSTITUENT CHANGES WITH EFFECT 29/7/96: Addition: Carso Global Telecom (Mexico). Deletion: BayBanks (USA). PLEASE NOTE: South Africa and related indices have been amended for 25 July 1996. Latest prices were unavailable for this edition.

Heart of hearts

Daniel Green looks at the possibility of a genetic treatment for one of the world's biggest killers

Heart disease is the biggest killer in developed countries. Preventing it is the basis for industries as diverse as pharmaceuticals and sporting equipment. Yet desperate medical need and huge potential financial rewards are not enough. And genetics researchers say the condition is so complex that progress towards treatments that use genetic information is slow.

The problem is that there are dozens of genes involved. Some influence cholesterol levels or blood pressure, others may affect vulnerability to stress or susceptibility to cigarette addiction.

Most of these genes have yet to be studied in depth. It is mostly epidemiological evidence, rather than basic science, that has led scientists to say that factors such as cholesterol and blood pressure cause heart disease. "Even the best of science is not exactly clear on the mechanisms that cause heart disease," says Hugh Watkins, professor of cardiovascular medicine at Oxford University.

He says that, for example, the biochemical sequence of events in the body triggered by smoking should merge with that triggered by high cholesterol to produce heart disease. But where is not known.

Genetic research should offer a promising route to finding the answer to this question. Each of the 100,000 or so genes in the human body helps produce a protein. Studying the protein should lead to a chain of biochemical events which contribute to, for example, the depositing of fat on blood vessel walls.

Once the biochemical function of the protein is uncovered, a new drug could be developed to stimulate or inhibit it. Over the longer term, replacing faulty genes directly – gene therapy – is a possibility.

These methods are frontier territory in medical research, but are already looks promising in single gene diseases. In cystic fibrosis, for example, there are already several gene-based treatments in clinical trials.

For heart disease, however, the dozens of factors that appear to contribute have persuaded many researchers that a frontal attack is too difficult. A more roundabout route must be found. One idea is to look for rare conditions connected with heart disease that may have single gene causes.

Watkins says that a condition called hypertrophic cardiomyopathy is one of the most common causes of sudden death in people under 40. This condition is behind about 25 per cent of the sudden deaths among athletes, he says.

Starting genetic research here offers "the hope you can start with something relatively simple and go on to identify [the genes in] some of the disorders that are much more common." Progress will be difficult, however. "Just as there are varying degrees of high blood pressure, people have differing amounts of hypertrophy," he says.

Some companies are resorting to a return to the roots of genetics research, starting with family traits rather than biochemistry. The specialist genetics biotechnology company Millennium Pharmaceuticals, based in Massachusetts, and Spectra Biomedical, in California, are building family databases.

Millennium says that within 18 months it will have 1,000 siblings on its database. "We are restricting them to early onset heart disease," says Jeanette Just, a genetic epidemiologist at Millennium. The company wants sibling pairs with unusual heart conditions. Genetic analysis should then help find out which genes are producing exceptionally large numbers of proteins.

Rivals are sceptical about this approach, believing it will eventually run into familiar problems of lack of specificity; Millennium will find too many genes to form the basis of a useful treatment.

Some companies and scientists are trying for even more modest goals than a genetic understanding of heart disease.

Sequana Therapeutics in California, for example, is studying one of the side-effects of high blood pressure. Kidney disease appears to affect some individuals more than others. If it was possible to identify people with high blood pressure and a genetic predisposition to kidney disease, treatments could be tailored accordingly. From a commercial point of view, it could also help cut very expensive kidney failure treatments such as dialysis and transplantation.

A similar diagnostics approach to genetic research in heart disease would be aimed at better applying existing treatments. There are several classes of drugs already used effectively in reducing heart attacks. But doctors prescribe them on a trial-and-error basis: if the patient does not respond well to beta-blockers, put them on calcium channel blockers, and if that does not work try Ace-inhibitors.

Looking at the genes of high blood pressure sufferers might help pinpoint which patients could respond best to which drugs.

But even this modest role for genetics may be tough going, according to Tim Harris, vice-president of research and development at Sequana. He blames commercial rather than medical reasons, saying that pharmaceuticals companies do well out of the trial-and-error method of prescribing.

"The scientists [in a company] may want to go ahead, but the marketing part of the company will ask why they should create a test that might reduce the market for the existing drug," he says.

The prognosis for replacing standard treatments for heart disease with new ones based on the growing body of genetic knowledge is not good. "We're a long way away from pointing a finger at a smoking gun gene," says Russell Gregg, director of SmithKline Beecham's Advanced Technologies in Genetics Group. "The excitement is tinged with hype." Even the modest aims of diagnosing who might be most likely to benefit from conventional drugs face scientific and commercial obstacles.

The series on human genes continues next month with a look at ageing.

Martin Dohrn/Science Photo Library

Epidemiological evidence has led scientists to say that factors such as cholesterol and blood pressure cause heart disease

Viewpoint · Albert Weale

Xenotransplantation: a question of ethics

According to some medical research teams, the use of animals as sources of organs for transplantation will soon be routine. But what are the ethics of using animal organs in human transplant surgery? Last week in Washington DC a meeting took place between two bioethics committees and some 120 delegates to discuss this question.

The transplantation of organs or tissue from animals to humans is known as xenotransplantation. It is on the research agenda because the success of human-to-human transplants means that there is a severe organ shortage. As a result, researchers in the UK, US and Japan have been examining the possibilities of xenotransplantation.

Until recently, human biology has ruled this out, because the body will quickly reject tissue from another species even when immuno-suppressive drugs are used. But the development of herds of transgenic pigs, bred to express a human protein on the surface of their cells, as well as improvements in the control of the human body's immune response, has led some research teams to announce that the era of successful xenotransplantation is just round the corner.

In the past five months, two bodies, one in the UK and one in the US, have published reports on the ethics of xenotransplantation. The first was produced in March by the Nuffield Council on Bioethics. The second was produced earlier this month by the Institute of Medicine in the US.

In many respects both reports display a striking degree of consensus, particularly on the issue of controlling the transmission of new diseases across species boundaries. The institute's report, for example, cites the hypothesis that one strain of HIV, the virus that causes Aids, was derived from its equivalent in sooty mangabey monkeys.

Moreover, organisms that cause no problems in their natural host species can be devastating in a new host environment. If there are such organisms in species supplying transplant organs, a transplant into a patient whose immune system has been suppressed will create an ideal environment for disease to spread.

In considering this problem, both reports put forward a series of measures to reduce the risk. Source animals should be screened for known pathogens. Evidence should be collated on what is known about cross-species transmission. Recipients should be monitored and tissue samples should be archived.

Even when these measures are taken, however, both reports agree that it is impossible ever to rule out completely the possibility of transmitting disease-causing organisms from source animal to human recipient. In the present state of virology we do not know the identity of all such organisms and the unknown is always a risk.

Large sums of money are being invested. It was estimated in 1995 that within 15 years sales of pig organs could amount to $6bn a year

Both reports argue, however, that this residual risk is not sufficently strong to provide an argument for prohibiting xenotransplantation. As the Nuffield report notes, to forbid xenotransplantation entirely could only be based on a principle that would prohibit many forms of innovation.

Both reports also pay attention to issues of animal rights. Is it ethically acceptable to use animals as sources of spare parts for humans? Are there certain species, for example chimpanzees threatened with extinction, that should not be used? Is it morally permissible to use primates at all, given their closeness to humans?

On these questions, differences begin to open up between the reports. Although both think that it would be wrong to use chimpanzees as sources because they are an endangered species, the institute's report is more willing than is the Nuffield counterpart to countenance the use of other primate species such as baboons. The contrasting attitude seems to reflect cultural differences and different histories of animal welfare legislation.

The area of patients' interests opens up another difference. The Nuffield report thinks that the implications of early experiments for patients are so serious that new procedures are needed to protect their interests. It advocates using trained counsellors independent of the team carrying out the research to advise early recipients, and thinks that decisions on the ethical acceptability of particular operations should be taken not by local research ethics committees as at present, but by a newly established national advisory committee.

The institute report, by contrast, wishes to keep responsibility for ethical permission for the experiments with local institutional review boards, albeit operating to newly created national guidelines.

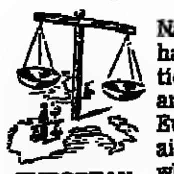
What is the significance of these differences in approach? Already large sums of money are being invested in xenotransplantation. For example, it was estimated in 1995 that within 15 years sales of pig organs could amount to $6bn a year, while sales of immuno-suppressive drugs associated with the increase in transplantation could increase 10-fold to $10bn a year.

With these sums of money around, differences in the ethical constraints that national systems impose on the conduct of xenotransplantation become important. For example, if the decision is taken to permit the harvesting of organs from pigs but not from primates, this will undoubtedly give a competitive edge to those teams which have opted for using transgenic pig organs.

The author is professor of government at the University of Essex, and chaired the Nuffield Council on Bioethics working party report.

LAW

Ruling on courts' jurisdiction



EUROPEAN COURT

National courts have jurisdiction to apply and interpret European state aid rules even where the matter in question has been referred to the European Commission, the European Court of Justice ruled recently.

The case arose in the context of the provision of logistical and commercial assistance given by the French post office to a company in which it held a majority shareholding.

The company, SFMI, was entrusted with the management and development of EMS Chronopost, which dealt with express deliveries. The services provided by the post office consisted of making its offices and some staff available for the collection, sorting, transport and distribution of letters and parcels to customers as well as advertising, canvassing and advising customers.

Private express delivery companies operating in France under their umbrella organisation, SFEI, complained to the Commission and the French Competition Board, alleging the assistance given to SFMI constituted state aid incompatible with European law.

It was alleged that the assistance enabled SFMI to charge considerably lower prices than those of its competitors.

The Commission rejected the complaint. Proceedings were filed before the European Court of First Instance for the annulment of the Commission's decision. In the light of that, the Commission withdrew the decision so that further evidence could be added to the file. The case was therefore removed from the register.

Since then there had been no indication as to the Commission's position on whether the measures constituted state aid. It was in this context that SFEI and its operative companies sought a declaration that the assistance given to SFMI constituted state aid in breach of European law.

The plaintiffs sought an injunction restraining the post office from granting the aid as well as an order for repayment of all unlawful aid.

The tribunal decided to stay proceedings and refer certain matters to the European Court.

The court first had to decide whether the national court had jurisdiction in such matters. It was argued by the defendants that when the Commission was considering such a matter, but had yet to decide whether the measures constituted state aids, the national court should decline jurisdiction since its decision might otherwise conflict with the Commission's.

The court dismissed this argument. The Treaty of Rome provided that unless there had been notification of planned aid to the Commission, that aid could not be regarded as having been properly granted. Although the national courts could not rule on the compatibility of any given aid, nevertheless the fact that the Commission had initiated an examination of the aid could not release the national courts from their duty to safeguard the rights of individuals.

In carrying out that duty, it was open to the national court to interpret and assess the concept of aid under the treaty to determine whether a state measure introduced without observance of the procedures was indeed a state aid requiring observance of those rules.

In any event it was always open to the national court to seek clarification from the Commission as to whether a given measure should be categorised as state aid.

The court then dealt with certain substantive questions. It said state aid encompassed not only positive benefits, but also interventions which mitigated the charges normally included in a company's budget. Therefore assistance in the form of logistical and commercial support was capable of constituting state aid.

It also ruled that if a national court found that an aid was not notified to the Commission as required, then it had to order repayment, unless due to exceptional circumstances repayment was inappropriate.

C-39/94: Syndicat Français de l'Express International v La Poste, ECJ FC, July 11 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Gyllenhammar to chair Cofinec

After a long career focused on Europe and the US, Pehr Gyllenhammar (left) is turning to eastern Europe. The former Volvo chairman has been appointed chairman of Cofinec, a French-registered packaging group which last month launched on the Budapest stock exchange, and whose operations are based in Hungary, the Czech Republic and Poland.

Gyllenhammar, who in January became senior adviser to Lazard Frères & Co of New York, explained his mission as one of helping Cofinec "get on the right course in an open market economy". It is, he says, essential for such businesses to feel confident of being able to compete internationally – a prerequisite for keeping east European markets open.

Gyllenhammar succeeds Hans-Jörg Rudloff, who is leaving Cofinec. The former Credit Suisse First Boston star is Gyllenhammar's erstwhile partner at MC European Capital (Holdings), the infant UK investment bank set up by Rudloff nearly three years ago. The Swede joined the bank as chairman after 22 years behind the wheel at Volvo, from which he resigned in 1992 following its abortive merger with Renault. Gyllenhammar remains based in London and retains a string of directorships, including Pearson (which owns the FT), Reuters, FMC Corporation, Philips Electronics and United Technologies. *Greg McIvor*

Royer takes to trees

Raymond Royer, 57, who stepped down as president and chief operating officer of Bombardier, the Canadian aerospace and transit equipment group, in May, is heading for the trees. An accountant and lawyer, Royer takes over as president and chief executive of Domtar, the timber, pulp, fine papers and packaging group, on September 3.

Royer is a university friend of Bombardier chairman Laurent Beaudoin and had been 22 years with the company, including 10 as president. His main contribution was international development of the rail equipment side, but he developed policy differences with Beaudoin.

Domtar has sold all its building materials and other non-pulp and paper assets and now has one of the strongest balance sheets in the Canadian forest products industry. Royer's arrival may tone down rumours that Domtar will be taken over by a larger US firm.

Roye has a reputation as a tough hands-on manager who knows how to raise shareholder value. Bombardier's share price, after stock splits, has risen about 300 per cent since 1992, partly because of its successful expansion in aerospace. *Robert Gibbens*

Lauk drives up

Kurt Lauk, (left), the new head of Mercedes-Benz's commercial vehicle division, knows a thing or two about the automotive business, having been at Audi from 1989 to 1992. He is also a Swabian which will no doubt get him off to a flying start at Mercedes' headquarters in Stuttgart where being a local is certainly no handicap.

Those factors aside, Lauk's appointment has raised eye-brows across corporate Germany, not least because Mercedes likes to develop home-grown talent. As Lauk, 50, knows next to nothing about the commercial vehicle business there are suggestions that he has been brought in by Helmut Werner, the 59-year-old boss of Mercedes, who is keen to grapple with the commercial vehicle division's problems himself.

The other view is that Lauk, who used to be finance director at the Veba industrial conglomerate, is the protégé of Jürgen Schrempp who heads the Daimler-Benz group overall.

Schrempp has been trying to cut Daimler's flab and is determined to improve the group's return on capital following record net losses last year of DM5.7bn. He will have an ally in Lauk, who masterminded Veba's first-ever set of US GAAP accounts and has helped extract value from a number of Veba's myriad activities.

Despite those successes at Veba his relationship with Ulrich Hartmann, chief executive, had become tense, not least because Lauk thought very little of Veba's rather higgledy-piggledy foray into telecoms. *Michael Lindemann*

Manila stock exchange

The turf battle between the Philippine stock exchange and Manila's securities and exchange commission could be about to tilt in the PSE's favour.

Eduardo de los Angeles, outgoing president of the PSE, confirmed last week that Romeo (Romy) Bernardo, who resigned as undersecretary of finance in June after six years in government, was his most likely successor when the job falls vacant on September 1.

As chief adviser to the executive director of the World Bank between 1981-90, Bernardo, 42, has high-level international experience. Stock market reformers keen to make the PSE self-regulatory and escape "the clutches of a hands-on SEC" believe that Bernardo has the necessary authority to do the job. "The last thing we need right now is a push-over," said one foreign broker. "Romy's got the reputation and the clout to give us the independence that we need."

Under government rules, outgoing ministers must wait for 12 months before taking up posts connected to their previous employment, though PSE officials are confident this will not pose a problem. Last week, after all, Bernardo became a non-executive director at the recently-privatised Philippine National Bank. If that lucrative post is acceptable then few could complain about another at the PSE. *Edward Luce*

ON THE MOVE

■ Heinz Friedmann, 53, has been appointed vice-president, sales of the mobile communication division of ALCATEL TELECOM.

■ Cathy Steiner has been appointed vice-president of YORKTON SECURITIES, a Canadian investment dealer with institutional sales and trading operations in north America and Europe. She was previously with the corporate finance group at First Marathon.

■ Patrick Draper has become non-executive chairman of AQM Automotive Corp. He replaces Leslie Leib, who remains a director and chief executive of AQM as well as chief executive of its wholly owned operating subsidiary, GK Industries.

■ Nancy Gore has been appointed senior director, investor relations at AMERICA WEST AIRLINES. She was formely senior director of investor relations and communications at Magellan Health Services in Atlanta.

■ Alastair Woodrow, 49, joins CLYDE PETROLEUM's UK staff as general manager, existing ventures and international. He was previously managing director of Aran Energy Exploration until its acquisition by Statoil in December 1995.

■ Peter Stoelzle, director, regulatory affairs at Bausch & Lomb Pharmaceuticals, has been appointed executive vice-president of BIGMAR, a supplier of oncology products.

■ Uwe Gaetje, managing director of Shanghai Edward Shipbuilding Co of Shanghai, has been appointed managing director of the shipbuilder VOLKSWERFT STRALSUND.

■ Tim Kettemann has been appointed director of BB-INVEST of Berlin, an investment fund company 50 50 owned by Bankgesellschaft Berlin and the Gothaer Versicherungs group.

■ Christian Pierret has stepped down from his post as deputy chairman of French hotel group ACCOR in order to pursue his political career.

■ VOLKSWAGEN has decided to replace Juan Llorens, chairman of its loss-making Spanish unit Seat of Barcelona, with the head of Volswagen do Brasil, Pierre-Alain de Smedt.

■ Michael Bush has been appointed to the board of watch designer and manufacturer MOVADO GROUP, which is also distributor of Piaget and Corum watches in north America, central America and the Caribbean.

■ Manuel Contreras has been appointed as head of treasury operations in the FIRST NATIONAL BANK OF CHICAGO's new Mexico City subsidiary.

■ Timothy Westover has been appointed president of LITTON SYSTEMS CANADA, a major defence contractor and subsidiary of Litton Industries Inc. He succeeds Thomas McGuigan, who has resigned.

■ Gilbert Wachsman has resigned as senior vice-president at KMART Corp.

■ Donald Rice, president and chief operating officer of TELEDYNE, has announced his resignation as a director with the closing of the pending strategic combination with Allegheny Ludlum Corporation.

■ Andrew Sarlos has been appointed to the board of CANADIAN MAPLE LEAF FINANCIAL CORPORATION, an equity banking and international financial services firm based in Vancouver.

■ Bernhard Huber has been appointed managing director of KRAFT JACOBS SUCHARD's German operation, replacing Goetz-Michael Mueller.

■ Poul Lindemann Moller has taken over as head of domestic appliances at PHILIPS of Hamburg. He replaces Dietheim Horak who is returning to his post as board member responsible for personnel.

■ Avi Basher has been appointed chief financial officer of ACCENT SOFTWARE INTERNATIONAL, the Israeli company. Paul Beard has been appointed vice-president and general manager of European operations at Accent's UK-based subsidiary, Accent Software Europe.

■ Peter Heinz has been appointed managing director at ARAB BANK of Frankfurt. His predecessor Ingomar Kieback has retired. Heinz was previously managing director with American Express Bank in Frankfurt.

■ Georges Spitzer, 38, has been appointed chairman at LVMH subsidiary Givenchy Couture, replacing Richard Simonin.

■ EDISON INTERNATIONAL has appointed Lillian Gorman, vice-president for human resources and Theodore Craver as vice-president, treasurer, for both Edison International and Southern California Edison.

■ Randall Ganim has been appointed a director of MAGNA GROUP Inc, a St. Louis-based community bank holding company.

■ Bruce Cockett has resigned as president, chief executive and director of COMSAT Corporation; Betty Alewine takes over. She joined COMSAT in 1986 and recently she has been the president of Comsat International Communications.

■ Jeffrey Raikes has been promoted at MICROSOFT to group vice-president, sales and marketing. The company has also promoted to vice president Joe Vetter (US, western region), Dianne Gregg (US, eastern region); and Frank Clegg (US, central region and Canada).

■ Linda Davenport has been appointed by FANNIE MAE as managing director of its new Housing Investment Fund.

■ Mike Harlolla has been appointed by SANWA BANK California as senior vice-president and head of its office of the president.

■ FUJITSU PERSONAL SYSTEMS has appointed Robert Rauch vice-president of engineering and John Roth as vice-president of administration and chief financial officer.

■ AC NIELSEN, scheduled to be spun off from the Dun & Bradstreet Corporation in October, has announced seven board appointments.

They are: Robert Beeby, currently non-executive chairman of Service America Corp; Donald Griffin, chairman, president and chief executive of Olin Corp; Thomas Hays, chairman and chief executive of American Brands, Inc; Robert Hendrickson, president, Juno Capital Partners; John Meyer, Harvard university professor; Brian Pemberton, president and chief executive of American Mobile Satellite Corp; and Robert Thurston, former executive vice-president US and Canadian grocery products division, the Quaker Oats Company.

■ Edward Bleckschmidt has been appointed to the executive board of SIEMENS NIXDORF INFORMATION in Germany, with effect from August. He will head operations in the Americas.

He joins from Unisys Corporation where he was senior vice-president and chief financial officer.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Post Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.38	8.32	9.57
0100	8.94	8.32	9.57
0130	8.94	8.32	9.57
0200	8.93	8.91	8.91
0230	8.93	8.91	8.91
0300	8.93	8.32	9.57
0330	8.93	8.32	9.57
0400	8.93	8.32	9.57
0430	8.93	8.32	9.57
0500	8.91	8.32	9.57
0530	8.90	8.91	8.91
0600	8.91	8.91	8.91
0630	8.91	8.92	8.92
0700	16.59	16.49	17.73
0730	16.97	12.55	13.79
0800	18.77	17.71	18.95
0830	21.24	18.39	19.53
0900	28.57	18.41	19.65
0930	40.67	19.70	20.95
1000	43.98	19.70	20.95
1030	45.67	19.70	20.96
1100	48.15	19.70	20.95
1130	49.84	19.71	20.95
1200	73.43	19.71	20.96
1230	72.04	19.71	20.95
1300	65.10	19.70	20.95
1330	36.82	18.76	20.01
1400	26.59	18.41	19.58
1430	22.20	18.31	19.56
1500	21.09	18.31	19.56
1530	20.09	18.31	19.56
1600	19.68	18.31	19.56
1630	20.21	18.31	19.58
1700	20.41	18.31	18.56
1730	18.77	31.48	32.73
1800	16.79	27.50	28.74
1830	17.61	16.92	18.16
1900	17.39	16.78	18.03
1930	17.09	16.66	17.90
2000	16.66	16.59	17.83
2030	16.41	16.58	17.83
2100	16.41	12.55	13.80
2130	12.44	26.98	28.23
2200	20.60	26.98	28.23
2230	20.60	26.98	28.23
2300	20.60	26.98	28.23
2330	12.44	12.55	13.79
2400	12.44	8.03	9.28

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Post Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.97	8.92	8.92
0100	8.90	8.91	8.91
0130	8.89	8.90	8.90
0200	8.89	8.91	8.91
0230	8.89	8.91	8.91
0300	8.89	8.91	8.91
0330	8.89	8.91	8.91
0400	8.89	8.91	8.91
0430	8.89	8.91	8.91
0500	8.89	8.91	8.91
0530	8.90	8.90	8.90
0600	8.90	8.90	8.90
0630	8.90	8.91	8.91
0700	8.90	9.32	10.55
0730	9.05	15.63	16.84
0800	16.67	9.32	10.53
0830	18.26	13.65	15.84
0900	21.39	17.24	19.45
0930	30.78	20.01	22.22
1000	30.78	21.31	23.52
1030	30.78	21.31	23.52
1100	30.78	21.31	23.52
1130	30.78	21.31	23.52
1200	30.78	28.54	30.75
1230	21.39	28.54	30.75
1300	18.90	21.31	23.52
1330	19.37	17.24	19.45
1400	16.67	14.56	16.77
1430	16.87	13.99	16.20
1500	16.32	8.95	8.95
1530	16.32	8.92	8.92
1600	16.32	8.92	8.92
1630	16.32	8.92	8.92
1700	16.32	13.99	16.20
1730	16.32	40.64	42.85
1800	16.32	40.64	42.85
1830	16.32	40.64	42.85
1900	16.32	14.23	16.43
1930	16.32	14.23	16.43
2000	15.39	13.99	16.20
2030	16.12	8.92	8.92
2100	9.05	8.92	8.92
2130	9.05	8.94	8.94
2200	39.68	14.23	16.43
2230	39.68	14.23	16.43
2300	39.68	14.23	16.43
2330	12.84	14.23	16.43
2400	9.05	7.03	8.94

The Pool Prices published on 29.7.96 contained an error.
The corrected prices are as above.
We apologise for any inconvenience caused by this error.

Brussels prepares Cuba fightback

Erbakan to ba[...] Kurd umbrella

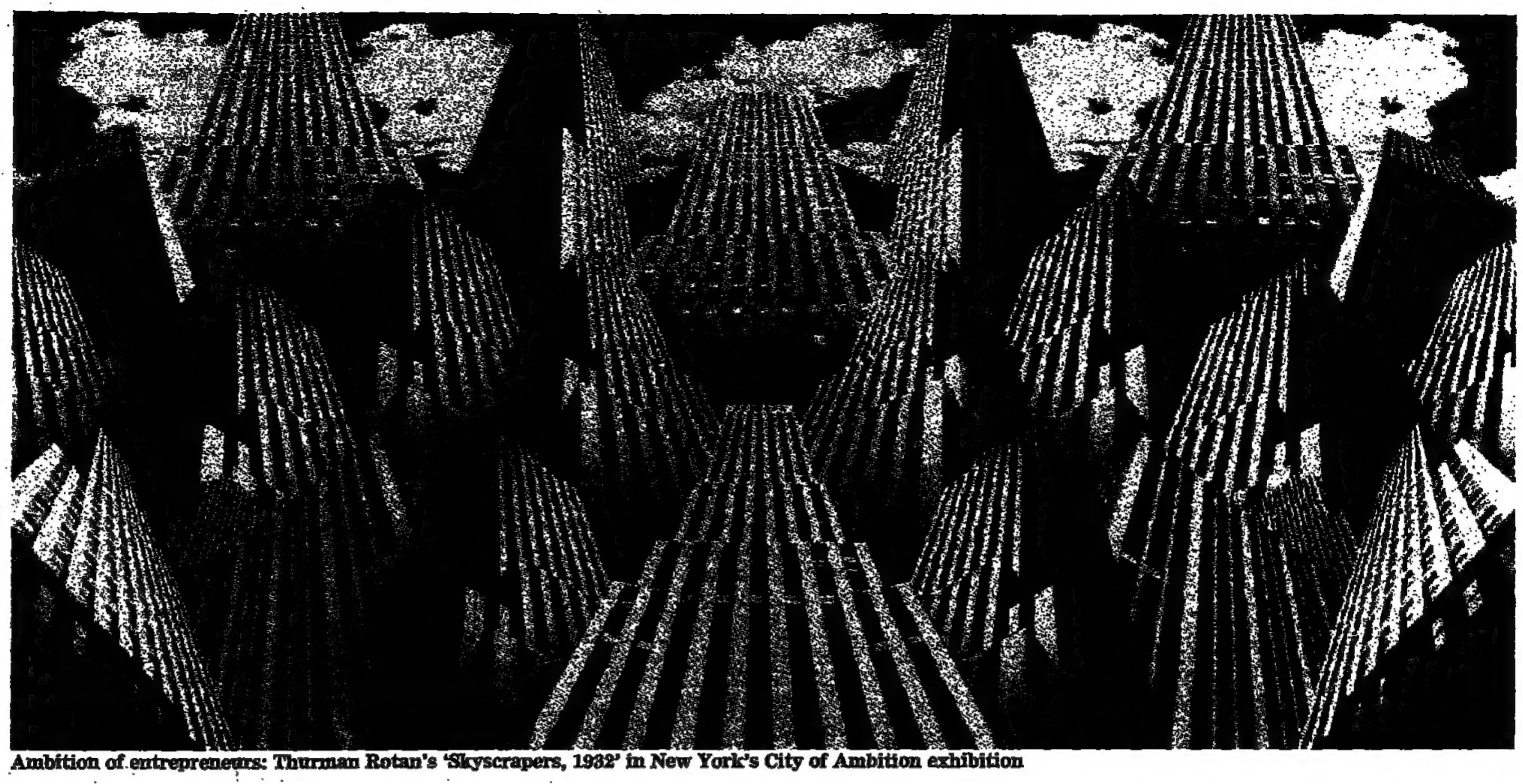
Burundi leader bid to ease tens[...]

New York is a city which writes its story in the sky. From the beginning of this century, immigrants crowding into the teeming tenements of the Lower East Side could look north and see that better place they had dreamed of appearing mirage-like in the air as the first skyscrapers rose uptown. By 1910, Alfred Stieglitz was able to capture an iconic image of tall towers thrusting above the glinting water, dark against the sun, spurting smoke and steam to challenge the clouds.

He called his photograph "City of Ambition", now the title of a summer exhibition at the Whitney Museum.

How is a skyscraper made? Contemporary photographs and films in the exhibition make this clear. It is built by a man in shirtsleeves and a waistcoat, who sits, feet dangling, astride a girder in the sky, spits on his palms, takes up a huge hammer, and with a few mighty blows, rivets another girder to the one he is perched on so perilously.

As a construction technique, this is simplicity itself: it was not sophisticated technology but the ambition of entrepreneurs, refusing to be thwarted by simple lack of space, which propelled their buildings into the sky, forcing metal and stone to heights never reached before and turning ordinary commercial developments into symbols of a new age. Outrageous, unconfinable ambition – to be the richest, the biggest, the tallest, the first – shaped the very fabric of New York and made it a living symbol of achievement.



Ambition of entrepreneurs: Thurman Rotan's 'Skyscrapers, 1932' in New York's City of Ambition exhibition

City that reaches for the stars

New York has always been an inspiration for artists, writes Lynn MacRitchie

From the beginning, the city inspired artists. In the early years, painters such as Maurice Prendergast, John Sloan or Alden Weir recorded its parks and streets in the style of the French Impressionists. Later, Georgia O'Keeffe and Joseph Stella merged subject and style to create the flat planes and sharp angles of the first Modernist images of the city whose construction was defining the modern age before their eyes.

In the mid-1920s, O'Keeffe lived with Stieglitz in the Shelton Hotel and did some of her best work recording the views from their window, the characteristic washes of limpid light in which she captured the sky over the East River set against the staccato shadows of the emerging streets. As the buildings grew taller, photographers such as Walker Evans, Lewis Hine, Berenice Abbott and Margaret Bourke-White were there to capture the creation of the Chrysler Building (1930), the Empire State Building (1930) and the Rockefeller Center, (1929-31).

It was the shock of the crash of 1929 and the subsequent Depression which turned artists' eyes back to the streets. Modernist promise retreated before human suffering as Reginald Marsh, Isabel Bishop and Edward Hopper painted and drew in realistic detail the daily grind of crowded streets and subways, anonymous apartment blocks, the employment office and the bread line.

This is not a new story. The success of the Whitney exhibition, curated by Elisabeth Sussman, is to make us see it afresh. Key decisions – to concentrate on photographs (mostly shown original size) and on art works from the museum's collection, to make a "designed" show and, most crucially, to stop at 1960 – emphasise its particular focus, the years of growth. Then, New York was proud just to be itself, and still capable of being, in Sussman's words, "a homey place".

With Tibor Kalman, famed for his innovative graphic design on magazines such as Interview but new to exhibition work, museum convention was thrown aside. Its bare white space was turned into a series of interlocking rooms, walls painted different, intense colours, with texts about the city by famous writers written directly on to them. Photographs and paintings are shown together and alongside architectural models and evening gowns, pages from comics and displays of hats.

The intense yellow of hope colours the first room, celebrating the immigrants' arrival and new beginnings. Next, walls hung with heavy red brocade create a stifling bourgeois parlour decorated with grand oil paintings. Between them hang photos of murder scenes from police files, showing empty hallways and narrow alleys eerily deserted, the passage of death marked in random splashes of blood. A victim, male, neatly dressed in suit and lace up boots, sprawls in a life size photo on the floor, forcing visitors to step on him, their comfort disrupted by the brutality of the streets.

> *The intense yellow of hope colours the first room*

The Modernist room gleams silvery white, the Depression room is stark black, bare bulbs clustering harsh from the ceiling. Afterwards, while Europe was at war, the city partied, neon bright against deepest blue, Harlem dance halls, as painted by William H. Johnson, gaudy on blazing red. Also on the red walls hang works by Weegee, the tabloid news photographer Arthur Fellig, perhaps the city's greatest chronicler.

Weegee yearned to be an artist, never realising how great a one he was, his harsh flashlight capturing the souls of his fellow citizens caught out in their crimes. He also made films, here seen for the first time. His lens probed everywhere, among the ranks of necking couples on the beach at Coney Island, zooming in on women's hands as they pulled down their bathing suits over lumpy white bodies. How he delighted in their eroticism, bursting from their ill-fitting clothes.

New York was never again so unselfconscious as it was under Weegee's penetrating gaze. The cult of glamour which emerged in the 1960s swept all that away, and it is at that point, with Andy Warhol's portrait of Holly Solomon hung on a mirrored wall, that the survey stops. Sussman realised that, by the 1960s, the city had become "a whole fabric for art, something completely different".

Warhol himself made a film of the Empire State Building, which is not in the exhibition. As his static camera ran unattended hour after hour, the building before its gaze became transformed: no longer celebrated, it stands exhausted, the epitome of ennui. (No one seems to mention that the metal spikes which top both it and the Chrysler Building look just like needles: lit up at night they suggest giant hypodermics, giving the sky the ultimate fix.)

In the blank gaze of Warhol's Factory junkies, the city became a representation of itself, famous just for being famous, transformed once more, this time into the first city of the post-modern age. But that is another story: "City of Ambition" succeeds in pinpointing that moment of transition, and in demonstrating the role artists have played both in chronicling and increasingly in influencing the changing identities of a vital city.

NY: NY City of Ambition, July 3 – October 27. Whitney Museum of American Art, 945 Madison Avenue, New York, New York 10021. Tel: (212) 570 3633. Exhibition sponsored by DKNY.

The Proms

Mood changes

To make use of the size of the Royal Albert Hall, concert promoters have to play to its strengths. On Thursday, it was a double Proms night, an early evening concert with one of the big Shostakovich symphonies and at 10pm a change of mood for Broadway nostalgia – each in its own way echoing up to the rafters.

Shostakovich demands to be played to the hilt here and Yakov Kreizberg and the Bournemouth Symphony Orchestra did not hold back in the ferocious climaxes of the Eleventh Symphony. After a spell of becoming adept at brash American music under its last principal conductor, the orchestra has the confidence and attack which are among the qualities needed for the Russian repertoire Kreizberg is likely to favour.

There is something of the cold-hearted, driving machine about Kreizberg's conducting, which is fortunately what this symphony needs. The opening movement, Palace Square before the 1905 revolution, was chill and eerily still; the violence of the massacre that follows drove mercilessly headlong. Compared with his great symphonies, such as Nos. 4 and 10, this is Shostakovich on autopilot, recycling his stock ideas with a minimum of new meaning, but play it with enough power and intensity – as Kreizberg did – and it can still make a big impact.

The brief Passacaglia, Op.4, by Berthold Goldschmidt, long thought lost by the composer after he fled Nazi Germany, also benefited from a taut and disciplined performance. Written in 1925, it was his first public success and a confident display of the young composer's authority. The inflexible side of Kreizberg's style was less well suited to Mendelssohn's Violin Concerto, which he despatched in double-quick time, leaving Christian Tetzlaff to snatch at any moments of repose in the solo part that he could find.

Then, a break of an hour to unwind and back into the hall for a saunter down Broadway through the decades with Dawn Upshaw, classical music's most adept crossover artist. A lot of play was made in advance about this being the first Prom to be specifically devised for a television audience, but there was little sign of that in the hall.

Well-miked, in casual clothes, perched on a stool at the front of the stage, Upshaw made London's biggest concert hall feel as intimate as a cabaret venue. She is not another Ethel Merman or Kim Criswell. Upshaw is well-mannered, an apple-pie American girl, but one with the quick intelligence to give Ira Gershwin's and Stephen Sondheim's sharpest lines the twist they need. Whether singing with the London Sinfonietta under Eric Stern, or just with Fred Hersch on the piano, she sounded at ease, in tune with arrangements that were more arty than theatreland razzmatazz. Perhaps the Proms might consider a complete musical one year.

Richard Fairman

BBC1 television is to broadcast Dawn Upshaw's concert on August 7.

Peter Hall for Old Vic

Sir Peter Hall, former director of the National Theatre, has been appointed artistic director of The Old Vic Theatre for five years, it was announced yesterday.

He is to set up a new repertory company performing five classics and five new plays throughout his first season, from next March until December. The Peter Hall Company at The Old Vic will consist of 15 actors plus guests, performing 10 times and seven days a week.

Sir Peter, 65, aims to attract larger audiences by undercutting ticket prices in London's West End. A subscription scheme will offer low prices to regular theatre-goers.

Founder of the Royal Shakespeare Company in 1960, he ran the National Theatre from 1973 to 1988 and was artistic director of the Glyndebourne Festival from 1984 to 1990.

Summer Music in America: Marlboro

Greatness by osmosis

As you approach Marlboro College in summer, deep in the Vermont woods, a famous sign by the road says "Caution – Musicians at Play". That means that the annual Marlboro Music is in session; seven weeks of intense chamber-music study for some 80 dedicated professional players. There is no more sought-after music summer school in the US.

Yet it is not exactly a "school", still less a "festival" (though recorded performances by its participants often appear under the label Marlboro Festival). It began in 1951, when three notable families of *emigré* musicians found themselves living in the same neck of the woods: the violinist Adolf Busch and his brother Herman, his pianist son-in-law Rudolf Serkin with his wife and several children, and the flautist Marcel Moyse with his wife Blanche and brother Louis.

Busch imagined an ideal summer community of musicians who would explore the chamber repertoire in depth and at leisure, without the pressure of imminent performance. Soon younger musicians were pleading to join them. Busch died within the year; Serkin then directed the proceedings until his own death 40 years later.

Originally the few public performances which helped to fund the affair chiefly featured Serkin and his distinguished colleagues, but little by little all the participants came to have their turns.

Nowadays there is a fixed format which permits flexibility. In January younger players and singers, who must already be starting professional careers, audition in New York, on the West Coast or in Europe, proposing works they would like to explore. By July, when the successful ones join the invited "juniors" and "seniors" (long-standing participants, some from the first years) in homely residence at Marlboro, a scheduling committee has made up a huge list of works to be studied, aiming to have all the performers involved in at least one or two works of their own choice.

In any given week, 60 or 80 of those pieces are in intensive rehearsal. (I spent most of my time at Marlboro eavesdropping fascinatedly on one session after another.) Some will be pursued for several weeks – for as long as the players feel they are getting somewhere with them – and some abandoned. A few will be chosen for the public weekend concerts in the Persons Auditorium, a great barn with excellent acoustics, or for the informal Wednesday concerts in the dining hall.

Marlboro's unique feature is that there are – officially, anyhow – no "students" and no "teachers", only participants on equal terms; but every ensemble includes at least one "senior" who works constructively and perhaps argumentatively with his or her junior fellows. It might be one of Marlboro's artistic directors, the pianists András Schiff, Mitsuko Uchida and Richard Goode, or a veteran member of a famous string quartet (it was wonderful to hear 86-year-old Felix Galimir working as second violin in Berg's op. 3 with three twentysomething colleagues), or a prime virtuoso like the clarinettist Richard Stoltzman.

The guiding idea, plainly, is to transmit a great tradition by osmosis – in practice, not by coaching or express instruction. The tradition is that of Busch and Serkin: Viennese and broadly middle-European, from Bach and the Classical composers to Dvorák and Smetana, Reger and Hindemith, and the second Viennese School. Now that Moyse is gone French music is admitted, I suspect, only with a certain disdain; some contemporary music – generally not *fashionably* contemporary – gets a look-in.

In the 1950s and 1960s, Marlboro must have served as a beacon of civilised music-making amid the then-dominant American preference for hard virtuosity and speed. ("Espressivo" was a favoured epithet for Marlboro, sometimes with a sarcastic edge.) But American style has changed a good deal, not least because so many mature European musicians have invaded the academies; there is not the same imperative, now, behind the Marlboro ethos.

Still, as long as Mozart, Beethoven and Schubert are the rocks on which the chamber repertoire is founded, Marlboro can claim to offer a superlative haven in which serious players can mature. One where searching rehearsal and exploration are the main thing; where "effective" performances are only a secondary concern.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
De Nieuwe Kerk Tel:
[...]1-20-6268168
● Palech, een Russisch sprookje: [e]xhibition of more than 100 lacquer [m]iniatures, created in the 19th and [2]0th century in the Russian village [of] Palech; to Sep 22

■ BERLIN

[E]XHIBITION
[B]erlinische Galerie – [M]artin-Gropius-Bau Tel:
[...]-30-254860
● Anna Ratkowski – Eine [ver]gessene Künstlerin der [No]vembergruppe: exhibition devoted [to] the work of the German painter [An]ne Ratkowski, a member of the [No]vembergruppe, a movement of [ex]pressionist artists formed in Berlin [in 1]918; to Oct 13

■ CHICAGO

[EX]HIBITION
[Art] Institute of Chicago Tel:
[...]2-4433600
● Since the Harlem Renaissance, Sixty Years of African American Art: exhibition of approximately 25 works from the museum's collection to complement the traveling exhibition "Alone in a Crowd". Featured are 20th century prints and drawings by about 15 African American artists, including Charles White, Walter Ellison, Allan Rohan Crite, Romare Bearden, Jacob Lawrence, Vincent D. Smith and Margaret Burroughs; to Aug 25

MUSICAL
The Goodman Theatre Tel:
1-312-443-3800
● The House of Martin Guerre: by Arden and Cascio. Directed by David Petrarca and performed by the Goodman Theatre. Soloists include Julian Molnar, Anthony Crivello, Hollis Resnik, Kevin Gudhal and Frances Limoncelli; Tue-Thu, Sun 7.30pm, Fri, Sat 8pm, Sun also 2pm; to Aug 4 (Not Mon)

■ LONDON

AUCTION
Bonhams Chelsea Tel:
44-171-3933900
● *Psychedelic Rock & Underground Posters*: this is Bonhams third annual auction devoted to this theme, built around examples of Psychedelic Poster Art by Osiris Vision, Rick Griffin, Hapshash and the Coloured Coat, Roger Dean, Family Dog, Stanley Mouse and others.

Also included are posters from the Beatles, the Rolling Stones, items from the Ricky Tick Club collection, and a prototype design bottle of Andy Warhol's perfume STINK – "For the Stinking Rich", the original essence inside a Warhol/Pietro Psaier designed flask; 12 noon; Jul 31

EXHIBITION
Barbican Art Gallery Tel:
44-171-6384141
● Eve Arnold: In Retrospect/Derek Jarman: A Portrait: two exhibitions shown at the same time. Eve Arnold: In Retrospect covers the life's work to date of photographer Eve Arnold, who for more than four decades has served as witness through camera and words to many of the major figures and events of the latter half of the 20th century. The display includes over 200 photographs. Derek Jarman: A Portrait considers the diversity and impact of Jarman's career as an artist, film-maker, stage designer, writer, gardener and influential figure in gay politics. The exhibition features over 200 works including paintings, theatre designs, photographs, writing and his Super 8 films; to Aug 18

National Gallery Tel:
44-171-7472885
● Degas as a Collector: this exhibition features Degas' collection of paintings, drawings and prints. The display includes works by Ingres, Delacroix and Manet; to Aug 26

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Lari Pittman: this mid-career survey of Southern California artist Lari Pittman highlights 35 of Pittman's works, including new paintings created specially for this presentation. Pittman's work explores issues of individual and social identity, often from a gay perspective; to Sep 8

■ MADRID

EXHIBITION
Fundación Cultural Mapfre Vida
Tel: 34-1-5811628
● 50 Años de Fotografía Española en la Colección de la Real Sociedad Fotográfica (1900-1950): exhibition giving an overview of Spanish photography in the first half of this century. Included are photographs by Antonio Cánovas del Castillo Vallejo, also known as Kaulak, Carlos Iñigo, Antonio Portela, Willy Koch, Pla Janini and others; to Sep 29

■ MILAN

DANCE
Teatro Carcano Tel: 39-2-55181377
● National Ballet of Georgia: perform a programme of traditional Caucasian dance in the Castello Sforzesco; 9.30pm; Jul 31; Aug 1

■ NEW YORK

CONCERT
Avery Fisher Hall Tel:
1-212-875-5030
● Fidelio: by Beethoven. Concert performance conducted by Kurt Masur and performed by The New York Philharmonic. Soloists include Deborah Voigt, Gary Lakes, Simon Estes and Theodore Baerg. Part of the Lincoln Center Festival; 8pm; Jul 31; Aug 2

EXHIBITION
The Jewish Museum Tel:
1-212-423-3200
● Marc Chagall 1907-1917: this exhibition of paintings, gouaches and drawings provides an overview of Marc Chagall's early career and the decade during which his aesthetic language and attitude were formed.

The exhibition includes a selection of self-portraits, portraits of Chagall's family depicting life in Vitebsk and Lyozno, religious themes, and works produced after his return to Russia; to Aug 4

■ PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Comme un Oiseau: this exhibition explores the universe of birds as seen through human eyes, from some of man's earliest art to the most recent experiments in contemporary art; to Oct 13

Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Beat Streuli: exhibition featuring six slide projections and three videos by the German-based Swiss artist; to Sep 22

■ SAN FRANCISCO

EXHIBITION
SF MoMA – Museum of Modern Art Tel: 1-415-357-4000
● The San Francisco School of Abstract Expressionism: this exhibition explores the work of the Abstract-Expressionist movement on the West Coast and includes approximately 65 works by artists such as Jay DeFeo, Richard Diebenkorn, Sonia Gechtoff, Walter Kuhlman, John Saccaro and Clyfford Still.

Known at the time as "free-form painting", these works of the 1940s and 50s were inspired by the natural beauty of the West Coast, as well as by jazz and Beat poetry; to Sep 29

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel:
1-202-7374215
● Masterpieces from the Palazzo Doria Pamphilj, Rome: exhibition featuring a selection of 12 works, 10 paintings and two sculptures, from the collection of the Doria Pamphilj Gallery in Rome. The collection was founded in 1651 by Pope Innocent X Pamphilj, whose portrait by Diego Velázquez is the centrepiece of this exhibition.

The other artists represented in this exhibition are Alessandro Algardi, Bernini, Caravaggio, Annibale Carracci, Guercino, Claude Lorrain, Lorenzo Lotto, Raphael, Carlo Saraceni and Titian; to Sep 2

THEATRE
Opera House Tel: 1-202-416-4600
● Beauty and the Beast: Disney's Tony Award-winning musical. The show includes new songs written especially for this musical by Howard Ashman, Alan Menken and Tim Rice; Tue-Fri 8pm, Sat 2pm & 8pm, Sun 1pm & 6.30pm; to Sep 29 (Not Mon)

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Intimations of mortality

Peter Montagnon on the jostling in Indonesia over the succession to President Suharto

Crackdown: troops guard a bank after anti-government rioting

It has suddenly become fashionable among Asia watchers to compare Ms Megawati Sukarnoputri, Indonesia's opposition leader, to Ms Aung San Suu Kyi, the Burmese democrat whose tireless campaigning has undermined the international legitimacy of the government in Rangoon.

Since the military contrived to engineer her ousting in June as leader of the Indonesia Democratic Party (PDI), Megawati, as she is universally known, has become a symbol of opposition to the 30-year rule of President Suharto. With the violent riots that followed the evacuation of her supporters from the PDI headquarters at the weekend, the force of that opposition looks to be growing.

But appearances can be deceptive. Unlike Ms Suu Kyi who won elections in Burma in 1990, few in Indonesia believe Megawati or the PDI could win next year's general election or the presidential election the year after.

The risk to stability may have grown, adding to concerns about the eventual transition once President Suharto, 75, steps down. Yet for now his hold on power remains firm. "There is no organised threat to the position of the president at the moment, principally because the military is still united behind him," says Mr Juwono Sudarsono of the government-financed Defence College in Jakarta.

Like Ms Suu Kyi, Megawati is the daughter of a famous politician. President Sukarno, her father, was Indonesia's first president who unified the nation after independence. But unlike her Burmese counterpart she lacks charisma. In two years at the helm of the PDI and, before that, in a decade as a member of parliament, she made little attempt to grab the limelight.

Even yesterday she appeared reluctant to exploit the wave of exposure following the riots. Her public profile remains low and, though the assault on her supporters at the PDI headquarters was widely expected, she has carefully avoided a direct personal confrontation with the president.

The government was expected to act but the timing of its move was inevitably determined by the Asean regional forum, a prestigious international security conference hosted by Jakarta which only ended last week. Given Indonesia's long tradition of street violence, it was always likely that the move would result in rioting. But the uneasy calm that descended on Jakarta yesterday – despite three bomb scares in the central business district – suggests the violence could quickly abate.

Yet the decision to move against Megawati involves a curious and typically Indonesian contradiction. Why, if she was never much of a threat to the president, was it necessary to go to all the trouble of ousting her as opposition leader?

The answer, according to one government official, was that the authorities wanted to marginalise her early in the election process. "She was never expected to get more than 15 per cent of the vote, but the next election is strategically important because the president is getting older. Her position in opposition might have made it hard to form a consensus about the succession," he explains.

The death in April of President Suharto's wife, Siti Hartinah Suharto, and his own recent visit to Germany for a health check have underlined his mortality and the fact that his regime must come to an end. Suddenly, Indonesia is both restive and uncertain how the transition will be handled.

While a spurt in economic growth has brought a palpable increase in living standards, Indonesia's newly affluent middle class is increasingly resentful of the stranglehold on power maintained by President Suharto, his cronies and family.

His children have become brazen in exploiting their connections to further their business interests: for example, his son Hutomo Mandala Putra won tax concessions in March to develop a cheap national car. Indonesia ranks alongside Uganda and the Philippines – and not far behind Nigeria – towards the top of the Corruption Perception Index produced by Transparency International, the German-based watchdog. .

Assuming President Suharto stands and wins again in 1998, the resulting five-year term will almost certainly be his last. Attention will focus on his choice of vice-president who will effectively be his designated successor.

That person will face an enormous task. He or she must steer Indonesia towards a more liberal pluralist system, while maintaining the confidence of the military which is crucial to national stability.

If the new leader comes from outside the family, he or she must also persuade Mr Suharto's children to take a back-seat role which may involve a deal to protect them from any attempts to strip them of the wealth accumulated during their father's term of office.

Yet President Suharto has shown little sign of preparing the country for transition, while the military appears disconcertingly divided on tactics.

Younger officers such as Maj Gen Syarwan Hamid, head of the political affairs unit, and Lt Gen Suyono, chief of general affairs, urged a tough line on Megawati. But Mr Edi Sudradjat, the defence minister, was much more emollient.

Against this background, the prospect of a transition as bloody and chaotic as that which brought Mr Suharto to power strikes alarm into many Indonesians.

Mr Geonawan Mohammad, former editor of the banned Tempo magazine, fears an explosion on three fronts: ethnic conflict sparked by resentment against the economically successful Chinese; religious turmoil as Islam takes a stronger hold; and regional rebellions as separatists flex their muscles.

The more sanguine view in the business community is that the very affluence which has brought the urban middle classes to be open in their resentment of President Suharto will be a force for stability in the long run. The hope is for an eventual transition along the lines of that in South Korea.

The longer President Suharto remains in power and the richer the middle classes become, the more that pressure for stability will make itself felt, argues one foreign banker.

But hearts will beat easier when the person able to deliver a smooth transition finally emerges on the scene. For all the attention she currently enjoys, Megawati has so far failed to demonstrate the political skills and the broad establishment connections that fit the bill.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Jobs picture not so bleak in France

From Mr Christopher Johnson.

Sir, Your leader on unemployment in France ("Sharing the pie", July 26) is well argued, but the position in France relative to the UK is not as bad as the aggregate statistics make it look. This table is taken from the seasonally adjusted May 1996 unemployment percentages published by Eurostat:

Unemployment: France v UK

	France %	UK %
Males	[illegible]	[illegible]
Females	13.9	6.6
Males and females	[illegible]	[illegible]

Source: Franco-British Council

The difference is only in female unemployment rates. It arises because a higher proportion of the potential female labour force is registered as unemployed in France than in the UK. It has more to do with comparative social security arrangements for women that with relative economic performance.

Christopher Johnson,
chairman,
Franco-British Council,
47-49 Strutton Ground,
London SW1P 2HY, UK

From Mr Walter Grey.

Sir, Somewhat surprisingly, your suggested cures for France's excruciatingly high unemployment included "a more expansionary monetary policy" but not, except perhaps as a natural extension of that, a more realistic, rather lower exchange rate.

Yet a small (not "competitive") devaluation of the French franc against other ERM (and so also non-ERM) currencies could do France's economy, and hence level of employment, a power of good, without causing undue harm to France's ERM partners/competitors and others.

Of course, such an adjustment should not, least of all in the run-up to a single European currency, serve as a ready-made excuse either for France to repeat it or for other to follow suit.

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN, UK

LME defence serves only to confuse

From R. Patrick Thompson.

Sir, Your article "Former chairman defends LME system" (July 19), setting forth Christopher Green's "spirited defence" of the London Metal Exchange clearing system could only have served to confuse and, unfortunately, sidetrack, all but the expert insiders in the copper world from the real issues raised by the LME's handling of Sumitomo. The clearing system – which is owned and regulated not by the LME, but by the London Clearing House – managed to avoid default because of the deep pockets of Sumitomo, a non-clearing member. This avoidance of default, however positive, is not the standard by which the Sumitomo crisis should be measured.

Instead, the real issue is whether the LME permitted its customer to hoard a strategically important commodity resulting in artificial pricing. The standard against which the LME's regulatory structure must be graded is its ability and toughness of will to combat market manipulation. This is not a trivial regulatory issue or one whose impact was limited to a single company. If manipulation in the Sumitomo matter did in fact occur, its impact on the domestic US consumer alone exceeded $1.5bn, in Nymex's estimate. Comparing this impact to Metallgesellschaft, as Mr Green did, is simply off-base. MG lost money, and a lot of it, but was not trying to corner the oil market. MG's trading – the vast majority of which took place in the OTC market – involved the ongoing health of MG. This was a financial matter that was widely regarded as having been handled promptly and correctly, despite the inference to the contrary in your article.

That a seemingly regulated market can behave in the way the LME's copper market was permitted to behave requires inquiry and explanation, not uncritical endorsement. The sooner that key officials acknowledge the shortcomings in the LME copper marketplace, and correct them, confidence can be restored. On the other hand, if the system is "good enough", as Mr Green states, corrective measures that are needed to restore public confidence may be delayed. Please continue to report on the public's need for measured changes, and not on the hopes of the established market leaders to maintain a dangerous status quo.

R. Patrick Thompson,
president,
New York Mercantile Exchange,
New York, NY 10048, US

Positive Indian budget passes critical test

From Mr Deepak Lalwani.

Sir, In his feature "Classic Indian craftsmanship" (July 24), Mark Nicholson opines that the 1996-97 budget "was not a brave first budget", identifying the high fiscal deficit as a key focus of concern for the international capital markets.

The new government consists of a fragile coalition of 13 parties, pursuing disparate policies and representing diverse constituencies and interest groups. No one party or group commands an overall majority in parliament, and therefore the critical test for the budget must be whether it is capable of being passed by parliament.

The underlying message of the budget is surely positive in that reform is to continue, and that the government is to pursue policies which will maintain economic growth. (gross domestic product growth of 7 per cent per annum is respectable, even by Asian standards.)

Meanwhile, a not over-ambitious attempt is being made to reduce the fiscal deficit to 5.0 per cent from 5.9 per cent of GDP. Prior to liberalisation, the average deficit 1987-91 was 8.2 per cent of GDP. Post-liberalisation, the average deficit for the period 1992-96 was 6.2 per cent. The current target of 5.0 per cent therefore represents a further step in the right direction, and should be viewed in relation to recent history. Moreover, a key factor in achieving the target is to be the divestment of Rs50bn of state-controlled assets.

To suggest that five years of liberalisation has not yet depoliticised the running of the economy ignores the complexity of Indian democratic politics. It has been widely acknowledged for some time that the narrow distribution of the gains from liberalisation would have to be addressed if the reform process was to continue to obtain sufficient, broad-based political support. This budget makes an essential nod in the direction of the rural poor, the sector which has seen little of the benefits of deregulation and reform. Unless this political problem had been addressed, the fissiparous elements in Indian politics would only gain support, a development which would present a genuine threat to reform.

Overall, Mr Chidambaram's first budget is more positive than many expected when the coalition government came to power in June.

Deepak Lalwani,
India desk,
Astaire & partners,
40 Queen Street,
London EC1V 1DD

More rightful author of labour theory of value

From Mr Dominic Hobson.

Sir, The only common ground between Michael Prowse ("Dethroning Adam, July 8), Eamonn Butler (Letters, July 11), Prof Jeffrey M. Herbener (Letters, July 17) and the late Prof Murray N. Rothbard is their belief that Adam Smith was the author of the labour theory of value.

Yet that dishonour surely belongs to John Locke, who in *Of Civil Government* explained that the individual acquired rights of property only by "mixing" his labour with the common stock of the natural world. Locke's purpose, which was to show that the right to property is natural rather than conventional, was political rather than economic. It is not hard to see why this idea was useful to Hegel and Marx in developing the theory of alienation, and to Ricardo, Smith and Marx in formulating the labour theory of value.

Dominic Hobson,
62 Manchuria Road,
Battersea, London SW11 6AE

European Central Bank signals taxation without representation

From Miss Haruko Fukuda.

Sir, It is possible that Mr Eric Elstob (Letters, 24) has "dodged the real question". The real question is whether having a British member on the board of the European Central Bank would leave the UK with the ability to determine its interest rates and its levels of taxation commensurate with our British aspirations.

The basis of parliamentary democracy as founded in the British tradition is that there should be "no taxation without representation".

However, the independent European Central Bank, as it is planned currently, is neither accountable nor answerable to any of the national parliaments.

Haruko Fukuda,
33 Ennismore Gardens,
London SW7, UK

Personal View · **David Cesarani**

Questions from history

Swiss action on the 'dormant' accounts of Jews in its banks will be the test of its pronouncements

Switzerland's wartime record has escaped the spotlight until recently, but now the Swiss are squirming with embarrassment.

Over the past few years the country has been accused of turning away the Jews fleeing Nazi persecution, oiling the Nazi war economy, and concealing gold which the Nazis plundered from the countries they occupied. Worst, Jewish organisations have charged Swiss banks with hiding the existence of, and profiting from, the accounts opened by Jews who subsequently perished in the holocaust.

Some of the grosser charges of misconduct are unfair and ignore the context in which both government and banks were operating during the Nazi era. But the conduct of the Swiss government and Swiss banks raises questions about asylum and banking ethics which are relevant today.

Between 1933 and 1938 about 30,000 Jewish refugees were allowed transit through the country but few were able to settle there. After the Germans annexed Austria, more than 10,000 mainly penniless Jews poured into the country. Border controls were tightened and in October 1938 the Swiss government insisted the passports of German Jews be marked so that potential refugees could be easily distinguished. In 1940, Paul Grüninger, head of the border police for Saint Gallen canton, was jailed for helping Jews to escape across the border.

Switzerland was an important base for Jewish relief and rescue agencies and from mid-1943 Swiss refugee policy was modified. But desperate to preserve the country's neutrality, everything was done to avoid the impression of favouring refugees from Nazism or anti-Nazi elements.

The UK and US governments were more worried about the role Swiss banks played in facilitating the Nazi war effort. The Germans seized hundreds of tons of gold from the central banks of the countries they overran in 1939-41. This plundered gold augmented the modest reserves of the Reichsbank and was used to pay for imports of food, goods, raw materials and fuel. The gold was transferred into Switzerland to offset payments to third parties.

The changing atmosphere, however belated, may speed the disbursement of whatever Jewish money remains unclaimed in Swiss vaults

The allies placed enormous pressure on the Swiss to cease these transactions, but they continued until the eve of Germany's defeat. Dean Acheson, the US State Department official, commented bitterly that: "In April 1945, the Swiss surrendered [to allied pressure] – only a month before General Jodl did."

In September 1944 the allies set up Operation Safe Haven to force the Swiss to curtail their dealings with Germany. The Swiss agreed, but only under stringent conditions, and without reference to any of the looted gold in their custody.

After the war, the victorious allies which occupied Germany and were stewards of its fortunes claimed ownership of German assets in Switzerland. But the Swiss initially refused to recognise their jurisdiction. They rebuffed all demands for the repatriation of gold transferred from the Reichsbank or even looted gold.

Finally, in May 1946, the allies reached a deal with the Swiss, the disclosure of which has recently caused uproar. The allies conceded the low Swiss estimate of German assets in Swiss banks and agreed to split the sum 50:50 with the Swiss placing gold to the value of SFr250m in a "gold pool" to be used to meet the claims of a dozen plundered central banks. Yet the restitution procedure was dogged by problems and astonishingly was still grinding away in 1981.

A smaller-scale, but incomparably more emotive, issue concerns the fate of deposits made by Jews who hoped to escape the Nazis but who never survived to claim their money. Soon after the war, relatives of these Jews and Jewish organisations responsible for handling reparations requested the Swiss banks to hand over money from accounts where the holders were now deceased.

The banks demanded ludicrously high standards of documentation. In 1962, after an international campaign, the Swiss government decreed a survey of "dormant" accounts. About $5m was uncovered, of which $2m was paid to about 1,000 individuals and the rest to Jewish charities.

Jews suspected more was being concealed and another campaign was mounted by the World Jewish Congress in 1994. It embarrassed the Association of Swiss Banks into conceding another trawl of the "dormant" accounts. The results of this are still to be disclosed.

It has taken a long time for the Swiss to come to terms with their wartime history. It was not until 1994 that Paul Grüninger was pardoned and officially recognised as a hero. This changing atmosphere, however belated, may speed the disbursement of whatever Jewish money remains unclaimed in Swiss vaults.

In April 1995, Mr Flavio Cotti, the Swiss foreign minister formally acknowledged his country's chequered past. "We cannot and must not deny that Switzerland was involved in the barbarism of those years," he said. Its policy on asylum, immigration and the treatment of "dormant" accounts from the 1940s will be the test of these praiseworthy sentiments.

The author is professor of Jewish History at Manchester University

FINANCIAL TIMES

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Tuesday July 30 1996

The struggle against terror

While joining in the general revulsion at Saturday's bomb attack in Atlanta, America's allies will have breathed a secret sigh of relief when they heard that – like *last year's explosion in Oklahoma* City, but unlike the destruction of TWA 800, the Paris-bound US airliner which blew up off Long Island on July 17 – it was probably the work of home-grown A[illegible]erican terrorists.

It is not at all in those allies' interests that Americans should regard terrorism as something directed at them from the outside world. Such events understandably feed American isolationism, and almost inevitably lead to recrimination between the US and its allies. It is preferable that Americans should come to terms with the painful truth that terrorism is a plague which can germinate within almost any modern urban society, and that vigilance against it must be directed inward as well as outward.

Today in Paris Ms Janet Reno, the US attorney general, will meet foreign ministers from the US's G8 partners (the inclusion of Russia in such meetings is becoming routine, and should be welcomed) to *study ways of making international* co-operation against terrorism more effective. It is to be hoped they will concentrate on preventive measures that can be practically effective.

Much can be achieved by simple, if tedious, security procedures; and national police forces can benefit greatly both by sharing intelligence and by studying each other's methods. But in the end each society has to decide for itself what it considers an acceptable balance between inconvenience and loss of personal freedom on one side, and personal insecurity on the other.

As with other crimes, increasing the risk of detection is probably the most effective deterrent. More can no doubt be done to ensure that terrorists do not benefit from asylum laws, but there will always be differences of opinion about who qualifies as a terrorist, and where he/she should be tried. Courts in western countries, for instance, will rightly be squeamish about handing over to Saudi justice someone who has merely advocated or incited "resistance", even if violence has been perpetrated by people sharing his ideas.

Most problematic of all is the US drive to deploy trade sanctions against states accused of sponsoring terrorism. European governments (and Japan) should certainly pay careful attention to the evidence against such states, and should show a genuine interest in deterring them (and apprehending individual suspects) when the evidence is convincing. But the US *also needs to recognise* that there can be bona fide differences among allies about the most effective way of doing this. The US itself, after all, has in recent years adopted one approach to Iran and *a quite different one to Syria.* The judgments involved are political rather than judicial, and little is gained by investing them with a spurious moralism.

One in £15m

It would be hard to find a better example of performance-related [illegible]ay. At the start of last month's European football championship Alan Shearer was suffering a nasty case of drought. It had been *12 matches since he had scored a* goal for his team Blackburn Rovers, and some two years since he had put one in the net for England. But seven superb Euro96 goals have made him into the most expensive footballer ever, with a record £15m transfer to his home team Newcastle United.

At first glance the move looks like another victory for "winner-takes-all" economics over old-style collectivism. Some of the city's leading investment banks now live in dread of their stars being poached by competitors. When the value of companies seems ever more closely linked to the value of individuals, personnel officers look to the cut-throat football transfers market and see their future. What they ought to see, however, is their recent past.

In money terms, at least, British football is flourishing, in much the way the city did during the mid-1980s. Thanks to a combination of soaring television fees, gate receipts, merchandising revenue and, lately, public share-offerings, the most successful clubs have more money than they know what to do with. The result is that New*castle may, just, be able to afford* pay £15m for a player who might help the team win the championship. It is a gamble, certainly, to invest this much in an asset which could become worthless overnight. But it may well be one worth taking.

So far, the new money is accruing to teams and their shareholders and not just to individual stars. Mr Shearer's unique talents put him in an unusually strong position to dictate terms, but it is worth remembering that he will personally gain only a fraction of the headline £15m from the deal. Blackburn Rovers will use the money to buy new players, meaning that the bulk of the money stays in the game, if not, always, in the country. Worldwide experience suggests that star performers will inevitably demand a larger slice of the cake. Until then, the highest rewards will go to team-players rather than prima donnas.

Embryos

This Thursday, Britain's test-tube baby clinics will have to destroy *more than 3,000 frozen human* embryos to meet a deadline imposed by parliament five years ago. The "pre-natal massacre", as it has been dubbed by a Vatican newspaper, has understandably aroused strong emotions; but the Human Fertilisation and Embryology Authority, the agency responsible for enforcing the law, does not deserve the abuse fired at it.

The 1991 legislation originally imposed a five-year storage limit on all embryos, to take effect on 1 August 1996, because scientists feared prolonged freezing might damage the cells. The scientific [illegible]cerns about safety have since [illegible]ded and in May this year par[illegible]nt approved regulations [illegible]g clinics to store embryos [illegible] least five more years, pro[illegible] the individuals who pro[illegible]he eggs and sperm give spe[illegible]ermission. The authority [illegible]tain's 33 in-vitro fertilisa[illegible]nics have made strenuous [illegible]o track down all the "par[illegible] [illegible]ut 3,300 embryos are likely [illegible]sh next Thursday because [illegible]nics have lost touch with [illegible]iples.

[illegible]most immediate defence for [illegible]uthority's action is that it [illegible]o enforce the *law. It also* [illegible]s it would be unethical to [illegible]nate unclaimed embryos for adoption" by infertile couples. [illegible] argument, implying that the [illegible]ic parents "own" their [illegible]os, may be harder to accept. [illegible]VF treatment in the UK has [illegible]ys been based on informed consent; participants were told their embryos would not be used *without their written agreement*, and it would be wrong to change the conditions.

Parliament could consider changing the law, so that future patients agree in advance that clinics can give away surplus embryos *after five years, in the* absence of other instructions. But such an amendment would make little impact on the fundamental problem: that modern fertility treatment is creating a gigantic supply of frozen embryos, and no one knows what to do with them.

IVF doctors extract and fertilise six to 12 eggs from a women at one time. Up to three are implanted in her womb, and the rest may be frozen for implantation later if necessary. A rough calculation suggests that the world's clinics are storing at least 500,000 embryos and that the number is increasing by 50,000 a year.

Eventually, the vast majority of them will have to be destroyed – a process that simply involves thawing out and touching with a drop of alcohol or water. Anti-abortion groups do their own cause a disservice by implying, as some have, that this procedure is equivalent to killing babies. A group of four or eight undifferentiated cells, smaller than a full stop, may be a potential human being, but the chance that any particular embryo would actually develop, if implanted in a healthy womb, is only one in eight.

Since the first test-tube baby Louise Brown was born 18 years ago, the UK has led the world in the scientific development of IVF. It has also led the development of a supporting legal and ethical structure, from the Warnock Report in 1984 to the 1991 Human Fertilisation and Embryology Act. No other country, with the possible exception of Australia, has *considered so seriously the ultimate* fate of frozen embryos. Britain's pre-natal massacre should prompt the rest of the world to join in the debate.

The master of surprise

Shadow chancellor Gordon Brown aims to be radical as well as reassuring in economic policy, says **Philip Stephens**

Mr Gordon Brown is a puzzle. The shadow chancellor is the intellectual in Mr Tony Blair's team, the architect of New Labour's economic strategy. He is also maddeningly populist, the master of the political soundbite. The leader aside, Mr Brown is his party's most public figure. His stentorian denunciations of the government resound across the airwaves. Yet even among colleagues the private man is something of a mystery. Within a year he may be chancellor. Then, he expects to surprise us.

The common perception is of an economic conservative, a dour Scottish presbyterian and would-be iron chancellor. Even before Mr Blair became party leader two years ago, Mr Brown had started to dump the high spending and tax policies which kept Labour out of office during the 1980s.

His proposed framework for fiscal policy is as rigorous as any pursued by the Conservatives in government. He has pledged that a Labour administration would set a tough target for inflation. The Bank of England would win greater independence. Sterling might join a single European currency.

But the shadow chancellor wants to be radical as well as reassuring. He thinks there need be no contradiction. Among past chancellors, he most admires the Liberal David Lloyd George who enraged the Conservative ruling class in the first decade of the century by building the first foundations of the welfare state.

So if Labour wins the election, Mr Brown sees his role extending well beyond the Treasury's formal remit of macro-economic management and financial control. He is one of the dwindling band of politicians who can make connections. He intends to be a chancellor in the style of, say, Nigel Lawson, using *the Treasury as a base to shape* policy across government. It was Mr Lawson who added economic substance to the instincts of Thatcherism. Though he would doubtless disapprove of the analogy, Mr *Brown would clearly like to do the* same for Mr Blair.

He has produced a new mission statement which would oblige the Treasury to turn its mind to such issues as employment opportunities, "fair" use of public resources and social equity. Welfare, labour markets, education and training, competition policy, technology – all would seem to fall within Mr Brown's definition of economics.

So far, the specifics seem timid: a modest shift in resources towards primary schooling, tighter rules for the young jobless if they refuse the offer of a job or training, a bigger *contribution from university students* towards living costs. Plans to finance a new employment programme through a windfall tax on privatised utilities have the feel of populist politics as much as fundamental reform.

There are other ideas – for lifetime access to education and training and for a "university for industry" to boost the acquisition of skills in the workplace. But the shadow chancellor has yet to mould his overall approach into a simple economic message. There are big dangers here. Ask the voters about Labour's plans for the economy and most still will mention the minimum wage or speculate about a higher top rate of income tax.

Mr Brown explains the tension between prudence and reform by arguing that change must be built on a "platform of responsibility". Thus: "We are redefining and reappraising the role of government. If you feel we are cautious it is because we have to emphasise there are things that government tried to *do in the past which it can longer* do and, rightly, should no longer do – forms of corporatism, picking winners, endless subsidies and so forth."

The role of public policy in the *modern economy is rather "to help* equip us as a country and as individuals to succeed in the global marketplace. It is not about trying to control or suppress the markets but recognising that there are certain things that if a government or a society do not do, they will either never be done or they will not be *done to best effect." Investment in* education and in the country's economic and social fabric, reform of welfare to replace benefits with work incentives, and, more surprisingly, a stronger competition policy *all fall into this category.*

His approach also implies a marked break with the past in his party's attitude towards inequality. As Mr Brown puts it: "For too long we have concentrated on policies which would compensate people for poverty or inequality. The attention has been on tax and benefits and the redistribution of income and wealth. I think the debate that matters is how you tackle the causes of inequality. And in a modern society, the root causes are unemployment and low educational opportunities and achievement."

As for taxation, the details of Labour's plans will not come until the general election campaign, but he insists the principles are clear: "The tax system has to be fair and based on the ability to pay. It must also encourage work incentives and *employment creation, savings and* long-term investment." If the party decides to propose a higher top rate of income tax (in itself uncertain), the decision would be an issue of revenue not principle.

Mr Brown's breadth of vision does not win him many friends among colleagues. Politics is territorial. His name crops up repeatedly in reports of turf wars in the shadow cabinet. His relations with Mr Robin Cook, the shadow foreign secretary, and with Mr John Prescott, the deputy leader, are described delicately as *"professional"*. "Hostile" would be the better adjective.

But if there was any question mark over his influence with Mr Blair, it was removed by last week's shadow cabinet reshuffle. On the day of the changes, the two men met for breakfast at Simpsons in the Strand. When the new line-up was announced Mr Brown's voice clearly had been heard.

Mr Chris Smith was moved from shadow social security secretary. Only last year, he had been charged to "think the unthinkable" about welfare reform. But he clashed with the shadow chancellor over child benefit. Mr Brown judged him too timid, unwilling to make the tough choices necessary to shift priorities within existing constraints on public spending. Mr Smith was moved to the health portfolio, to be replaced by the more pliant Ms Harriet Harman.

The relationship between leader and shadow chancellor is not without its awkwardness, the inevitable legacy of the succession to John *Smith in 1994. Before then the two* men had been the closest of personal as well as political allies. But Mr Brown, until then the senior partner, had to step aside. No relationship can survive such a trauma unchanged.

For many months, the shadow chancellor's mood was one of dark isolation. Erstwhile allies who had backed Mr Blair for the leadership were treated as enemies. Until recently Mr Brown barely spoke to Mr Peter Mandelson, a close aide of Mr Blair's, outside formal meetings. He is still *careful of his friends.* As one puts it: "You are either with Gordon 100 per cent. Or you are against him."

At 45, Mr Brown sees no reason to eschew his future ambition for the leadership, but *his relationship with* Mr Blair has been rebuilt, albeit on different terms. After all, the chancellorship is not a bad prospect. Uniquely, his pronouncements escape the blue pencils of the leader's policy advisers. Even when his own instincts pull him in another direction, Mr Blair feels uneasy about rejecting Mr Brown's advice.

The shadow chancellor has also loosened up, particularly over the past few months. There is little of the "blokeishness" which wins Mr Kenneth Clarke friends (though he is every bit as ardent a soccer fan as the chancellor). Nor will he apologise for the absolute commitment to politics which leads commentators to describe him as "driven". In Mr *Brown's mind politics is as a means* to an end: "If I did not think there was a task to be accomplished, I would see no point in being in parliament. I have no great interest in politics as politics."

But the prickliness has gone. Tease him about the dislocation between a first-class honours degree and soundbite politics and he responds with a chuckle. Soundbites have an honourable history, starting with "the meek shall inherit the earth". And for all the political hay he has made with the *boardroom pay awards in privatised* utilities, he seems curiously proud that he has never personally resorted to the phrase "fat cats".

He has a pessimistic side, but he has not embraced the Calvinist tradition which came with an upbringing as the son of a Church of Scotland minister. Mr Brown prefers a more hopeful view of life to the Calvinist belief in providence and predestination. He is, he says, a Christian socialist with a hard edge.

Like many of his fellow Scots, he is also an instinctive European, convinced that among the young especially, dislike of the EU is much exaggerated. He sounds enthusiastic about a single currency – but, either way, economics rather than politics would be the decisive factor in the decision.

None of this makes Mr Brown *popular with the remnants of the* Labour left in the parliamentary party. He used regularly to top the poll in shadow cabinet elections. Now that he puts his mind to what his party would do in government *rather than say in opposition*, he has fallen well down the rankings.

But what matters is the relationship with Mr Blair. He has the capacity to be Mr Lawson to Mrs Thatcher. But first Labour has to win. And then he must hope for a different ending.

· OBSERVER ·

The daughter also rises

■ With the right surname you can go a long way in Italy. The accident of birth has already propelled young Benettons, De Benedettis and Agnellis high up the corporate ladder. So it should come as no surprise that Fininvest has just elevated Marina Berlusconi, 29-year-old daughter of Silvio, to the chairmanship.

The Italian papers portray her as media-shy and serious – the latter by comparison, presumably, with her younger brother Pier Silvio, who tends to get dubbed a playboy every time he goes out for a drink. She is also reckoned to have inherited Silvio Berlusconi's killer instinct as an entrepreneur – which ought to stand her in good stead if she eventually takes full control of the empire.

She already sits on the board of seven Fininvest subsidiaries, including Mediaset, the recently quoted television and advertising company, and will play an important role in the reorganisation of Fininvest as a holding company for large stakes in quoted groups. She may also find herself thrown into the front line as the acceptable face of the Berlusconi *holding company, if* judicial investigations into the group make any headway. In that case, Marina Berlusconi may have to develop a taste for publicity – something that her father has never lacked.

Azeri shoot-out?

■ It is 30 years today since England beat Germany 4-2 in the World Cup final – an anniversary that will long be remembered by the soccer fans of Azerbaijan.

Independence may have been long off for the troubled little country on the Caspian. But it was from there that linesman Tofik Bakhramov, whose controversial ruling put England ahead at a crucial moment in the 1966 final, hailed. Bakhramov, who died in 1993, became the first of several successful Azeri referees, and the country's football stadium was named after him.

Azeri fans naturally insist that he was justified in his most famous ruling – that Geoff Hurst's shot against the crossbar really crossed *the line, putting England 3-2 ahead.* In his official autobiography, he describes the fury of the Germans: "Trust the Reds to support the reds," one shouted at him. But earlier this year, the football authority Fifa was reported to be checking out an alternative version of the book, circulating in Moscow, which described the incident differently. It claimed that he ruled *against the goal, but was* misunderstood because of language problems. Not a point to press however, given that Azeris who throng the Bakhramov stadium are in the habit of firing off Kalashnikovs whenever they feel strongly about anything.

Snapple snaps

■ As if Quaker Oats's cup were not already brimming with bile over its unhappy experience with its Snapple fruit drinks and iced teas business, it has also made a powerful enemy on the airwaves.

Howard Stern, the foul-mouthed talking "shock jock", and former promoter of the concoction, has taken to mocking the august corporation and urging his listeners to give up Snapple and buy a new drink, Mistic, instead.

Quaker chairman William Smithburg last week hinted he might off-load the line, bought for a much-criticised \$1.7bn in 1994, after second-quarter sales slumped a further 10 per cent.

Now the company has started *giving away free samples outside* the New York Stock Exchange and other select spots. But Stern was already up to mischief. The nationally-syndicated radio "talk show" host interrupted his usual scatalogical flow to blow a raspberry at the company, and wish it bad luck with the brand he claimed he "made" with his endorsement. Quaker seems to be *doing quite badly enough without* Stern's help. The trouble, it seems, is that the formula is easy to imitate, and that today's guava-canteloupe-kiwi brew is down the drain tomorrow.

Thin air

■ One of the fixtures in the firmament of the derivatives industry is the September meeting up a Swiss mountain called the Bürgenstock. This year's schedule contains the usual crop of speakers and esoteric spiels. But there is one topic for which a speaker has yet to be found – an incriminating *tba* is appended in the programme to the deceptively simple quesiton: Is there a need for the single currency? Then again, get that answer wrong and fellow guests, who thrive on intracurrency volatility, might turn sour.

Classic hard-sell

■ The New York Times arts section on Sunday contains a full *page advertisement for the film Emma.* In the Jane Austen tradition of letting characters damn themselves principally by the words they choose, the text reads: "This summer, Cupid is armed and dangerous. . .a new comedy from Jane Austen's timeless classic." An appended quotation from Harper's Bazaar also informs us that the film contains "Everything you don't expect from a classic: humor, energy and a fast pace".

Oh, and the credits urge us to "read the Miramax book".

The Financial Times

100 years ago

The Seal Fishery
Vancouver, 29th, July. A lawsuit of the greatest importance to sealers was decided here this morning. The Canadian schooner "Beatrice" was seized in August last by the American Revenue cutter "Rush" while the former was engaged in sealing operations in the Sea of Behring. A prize crew was put on board the schooner, which was taken to Victoria, where the courts decided that the capture was illegal, restoring the schooner and the 200 sealskins on board to the owner. The skins were afterwards sold for \$10.25 each. The owner of the "Beatrice" then brought suit against Great Britain to recover the value of the catch. The decision of the court this morning was in favour of the owner.

50 years ago

Decree for Requisitioning
Paris, 29th July. The Journal Officiel publishes to-day a decree providing for the requisitioning of foreign securities in conformity with the law passed in December last. An order of the Exchange Fund puts this decree immediately into operation in respect of British Two-and-a-Half per cent consolidated stock and annuities which will be purchased by the Treasury on the basis of the last price on the London Stock Exchange.

FINANCIAL TIMES
Tuesday July 30 1996

Investors get chance to gamble on weather

US insurance group links bonds to hurricane losses

By Richard Waters in New York

US investors may soon have an opportunity to gamble large sums on the weather. USAA, the country's biggest direct marketer of home and auto insurance, is attempting to sell $500m in bonds on the US capital markets that would be tied to the company's losses from hurricanes.

Insurance companies normally lay off large portions of the risk of natural catastrophes, such as hurricanes, on reinsurance companies. But the sharp increase in the scale and frequency of catastrophes in recent years has soured this sector, and reinsurance premium rates have soared.

A few insurers have already turned to the capital markets for this kind of cover and industry experts have predicted that the trend would develop rapidly.

USAA is the first to attempt a public offering, thereby inviting ordinary investors to get involved. Under its proposed bond issue, holders would be obliged to surrender their principal if USAA has to cover more than $1bn in claims caused by a single hurricane in the next year. In return for shouldering this risk, which is similar to a standard excess-of-loss reinsurance arrangement, they will receive a risk premium on top of the normal bond market return.

With the cover due to begin on 1 August, it remained unclear yesterday whether the transaction, structured by Merrill Lynch, would be completed in time.

Neither USAA nor Merrill would comment, citing US securities laws that prevent them discussing new securities until they have been priced. However, one person with knowledge of the transactions said the insurer aims to sell $500m of bonds in all.

If successful, the transaction could signal a turning point in the way reinsurance for natural catastrophes is priced. As a result, it could eventually make catastrophe insurance more available and cheaper for homeowners in vulnerable areas.

Pundits have long predicted the revolution that has transformed the capital markets in the past decade would spill over eventually into reinsurance, producing a rival market for spreading risk. Under this theory, the high-tech systems behind the derivatives and structured finance businesses could be used to create a more efficient method of carving up and pricing risks. Until now, this has remained largely a matter of conjecture.

USAA's scheme would involve the issue of bonds by a specially created Cayman Islands company, HPR. According to a regulatory filing by HPR, the reinsurance cover would only come into play for a single, catastrophic hurricane – the sort of event insurers have feared since Hurricane Andrew swept the Florida coastline in 1992, causing $15.5bn of insurance losses.

"We're very interested to see if these bonds get placed," said an analyst familiar with the USAA deal. "It would really test whether bond investors have an appetite for insurance risk."

Indonesian markets slump in wake of political violence

By Greg Earl in Jakarta

Indonesia's financial markets fell sharply yesterday after the weekend political violence that left two dead and resulted in millions of dollars of damage in Jakarta's commercial district.

The rupiah and the stock market fell from the start of trading and suffered an additional blow when bomb threats were received in the central business district.

Although there was a light military presence in many parts of the city yesterday, soldiers moved into the central business avenue in apparent anticipation of further attacks after the weekend burning of banks. Two office buildings housing Chase, the US bank, and the state-owned Bank Rakyat Indonesia were evacuated after bomb threats.

After meeting President Suharto, Mr Soesilo Soedarman, the co-ordinating minister for politics and security, said the government would crack down on a fringe, unauthorised political group called the Democratic People's party (PRD). He said the PRD was similar to the outlawed Communist party and had formed spin-off groups which were behind the weekend rioting.

The stock exchange index closed down 3.7 per cent at 540 points, its lowest level for the year, after earlier dropping more than 5 per cent in what brokers said was a nervous but not panicked reaction to the riots. The rupiah fell 1.4 per cent to close at 2,355 to the US dollar – slightly above the day's historic low of 2,360.

The political violence, the worst in 20 years in Jakarta, was the culmination of an uneasy stand-off between the government and the opposition Indonesia Democracy party. In June, the authorities publicly threw their weight behind a rival to the PDI's leader, Ms Megawati Sukarnoputri, daughter of the country's founding president Sukarno.

Ms Megawati was subsequently ousted but her supporters refused to vacate the party's premises, prompting an assault by security forces on Saturday.

"The market is confused and doesn't know what to do next," a bank treasury manager said of the low volume currency trading.

Brokers said there was less selling by foreigners than expected, indicating that many had already reduced portfolios during the recent growing political uncertainty. The market leader Telkom was heavily traded and the two major stocks controlled by family members of Mr Suharto, Bimantara Citra and Citra Marga Nusaphala, were down 9 per cent and 5.5 per cent.

Mr Soesilo also warned that the government could hold a formal meeting with Ms Megawati, who has allowed her supporters to strongly criticise the government in speeches outside the PDI office over the past three weeks.

Yesterday there were no significant protests and the city was quieter than usual with many people returning home early following the closure of some schools and rumours of a curfew in the main troubled area.

Jakarta business people said they were surprised by the rioting but did not believe it marked any serious breakdown in order in a country which has become one of the most popular destinations for foreign investment.

A typical contradiction, Page 10

Saxony defies Brussels with grant to VW

Continued from Page 1

launch an action in the court against the German state for ignoring Mr Van Miert's decision.

If the court found in the Commission's favour, it could order repayment of illegal aid and impose fines on both the state government and Volkswagen if the aid were not repaid.

The Saxony government, led by Mr Kurt Biedenkopf, a respected politician in Chancellor Helmut Kohl's Christian Democratic Union party, was last night standing firm, saying it had already budgeted for the increased aid.

Volkswagen yesterday said it had received the DM142m and been assured by Saxony that the remainder would be paid next year.

NEC faces dumping claim over computer sale to US

By Nancy Dunne in Washington

Cray Research, the US computer company, yesterday filed an anti-dumping petition against NEC of Japan over the sale of supercomputers to the National Centre for Atmospheric Research.

Cray's action could damage Washington's attempts to prise open public procurement markets abroad. US efforts to "encourage" Japanese government agencies to buy US-made supercomputers have resulted in the sale of 12 US supercomputers to Japan, but this first reciprocal purchase by the US has become the subject of contentious debate.

Mr Robert Ewald, Cray's president and chief operating officer, yesterday accused NEC of offering to sell four Vector supercomputers for what should be the price of one.

"NEC's behaviour undermines open competition and could permanently distort pricing in the supercomputer market," he said.

The research centre agreed to pay $35.15m over five years for the supply, installation and maintenance of four SX-4 supercomputer systems. Data released yesterday by Cray contends that NEC's costs on the four supercomputers totals $80m, which includes $51.2m for research and development, $5.75m for sales and marketing and $23.1m for the manufacturing costs. The data show that once expenses are paid, NEC would get only $15m.

The Commerce Department and Congress have become embroiled in the supercomputer purchase. The department was accused of improperly intervening in the matter when a senior department official wrote to the National Science Foundation (NSF), which will help fund the supercomputers purchase, to warn that NEC was probably "dumping" – selling at less than "fair market value" – before any anti-dumping petition was filed.

Mr Ewald denied reports that Cray had supplied the Commerce Department with the data on which the department based its analysis, but admitted meeting with Commerce officials and supplying data "for the market".

The NSF asked the National Centre for Atmospheric Research to investigate the informal charges resulting in an evaluation that the NEC bid was fair.

However, an amendment to next year's NSF appropriations bill, passed by the House, says no funds can be used "to pay the salaries of personnel who approve a contract for the purchase, lease or acquisition in any manner of supercomputing equipment or services" after Commerce – in a preliminary or final decision – determines that dumping has occurred.

The bill has yet to clear the full Congress.

Semiconductor talks, Page 4

THE LEX COLUMN

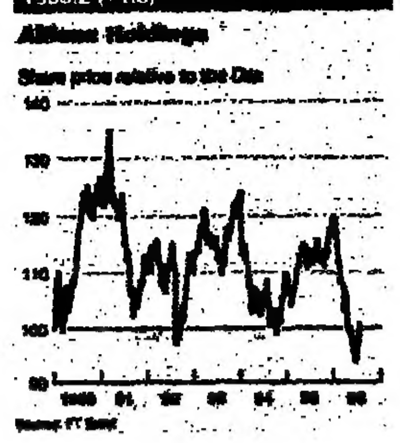
Allianz awakes

Does Germany have a new and profoundly influential convert to shareholder value? In themselves, the changes under way at Allianz are not momentous – but their consequences could be. Take the insurance giant's new 15 per cent return on equity target. This looks fine – indeed, demanding by comparison with the insurer's current 11 per cent return – until you take into account the choice of historic cost net assets as the denominator. At DM18bn ($11.8bn) this figure is pretty meaningless; the group's DM60bn market capitalisation is probably a much better estimate of the net assets' real worth. Use that instead and Allianz's 15 per cent goal shrinks to a paltry 5 per cent. Nonetheless, an explicit return on equity target is bound to focus investors on precisely this kind of question. Even better, Allianz is planning to start disclosing some answers: from next year it will start quantifying the market value of its vast collection of holdings.

Over time, the result of such transparency can only be a sharper focus on returns. Combine this with the appointment of British Petroleum's Sir David Simon to Allianz's supervisory board, a one-for-10 share split to boost liquidity and a move to international accounting standards: the shift towards a more "Anglo-Saxon" corporate style is undeniable.

Of course, it would be naive to expect Allianz to convert overnight from high priest of German corporatism to red-blooded shareholder value enthusiast. Moreover, greater transparency may not be all good news for shareholders – it can bring nasty surprises, as at Daimler-Benz. But the lesson of Daimler-Benz's experience is clear: transparency can turn out to be an extraordinarily powerful impetus for change. The many German companies in which Allianz holds big stakes should watch out.

FT-SE Eurotrack 200:
1555.2 (+1.0)



Stock exchanges

Sceptics often dismiss floating stock exchanges as commercial companies as hopelessly impractical – an academic notion irrelevant to the real world. Well, tell that to the Australian Stock Exchange. Worried about losing business elsewhere, the ASX is already considering options such as near-24 hour opening. But its latest suggestion is even more radical. It is rightly consulting its members on a proposal which would rewrite its structure from scratch. This is "demutualisation" – turning the exchange into a proper company, issuing the shares to its members and allowing them to be bought and sold. The shares could even be floated on the exchange itself.

The London Stock Exchange should wake up and take note. Just as much as the ASX, London is competing with rival exchanges elsewhere. To keep its edge, it needs to cut its costs down and get its services up to scratch: in short, it must behave commercially. To do that it needs to be freed from a cumbersome decision-making process and the conflicts of interest implicit in it. For London as for Australia, "demutualisation" is the obvious – and the right – solution.

Football

Newcastle United's decision to bring home striker Alan Shearer for £15m ($23.4m) is a huge gamble. Add in Mr Shearer's rumoured salary of £1.5m for each of the next five years and Newcastle is betting over £22m – about four times its forecast profits – on one player. Most clubs could buy a whole team for that, especially since a recent European court ruling has made it easier for English clubs to pick up leading Continental European footballers relatively cheaply. Last month Chelsea signed top Juventus forward Gianluca Vialli for a mere £1m a year.

But there is a whiff of business sense behind Newcastle's decision. Mr Shearer is a prolific scorer, having netted more than 30 goals in each of the last three seasons – as well as five in Euro '96. He was largely responsible for Blackburn Rovers' Premier league victory in 1994-95. Newcastle is hoping he can do even more, by bringing success in Europe. Television rights can make progressing to the semifinals of one of the European competitions worth £10m. If Mr Shearer scores the goals to get the club there, Newcastle will be able to point to a pretty satisfactory return on its investment. The signing should also boost merchandising sales as fans snap up replicas of Mr Shearer's number 9 shirt.

Whether it will boost prices in the transfer market is more doubtful since nobody else has his scoring record. Even so, the rising cost of players is clearly a worry at a time when more football clubs are trying to turn themselves into proper businesses and float on the stock market. Perhaps they should turn that trend to their advantage by offering players share options. That would have the twin benefits of holding down cash salaries and tying players closer to their clubs.

UK brewing

Not only does Bass's likely £200m purchase of Allied Domecq's stake in Carlsberg-Tetley look an astute move but it should manage to gain UK government approval. It would have been inconceivable two years ago that two brewers would be allowed to share almost 70 per cent of the UK's beer sales, given the government's long-standing campaign to encourage competition in the sector. What this policy has achieved, however, is a massive concentration of buying power in the hands of independent pub groups and retailers. Added to over-capacity in brewing, the result has been the near death of two of Britain's largest brewers, Courage and Carlsberg-Tetley. Pub owners will certainly encourage the Office of Fair Trading to block the Bass deal, but if the company makes the worthwhile sacrifice of numerous tenanted pubs it should be able to re-emerge as Britain's biggest brewer.

Allied will be glad to see the back of a brewing business which is losing money after stripping out £60m of profits from inflated supply contracts to Allied pubs. So any deal would enhance earnings. And the £200m price tag looks reasonable, given Bass was the only possible buyer – Whitbread would have struggled to add Carlsberg to its existing lager brands.

The deal also makes sense for Bass. Cost savings from integrating breweries and depots could create almost £100m of annual profits. Besides, Bass is becoming short of bottling, packaging and even brewing capacity. The risk is that the OFT demands unacceptable concessions. Bass is planning an unconditional offer and it would take a loss of around £60m if it were forced to sell Carlsberg-Tetley on to Carlsberg. But this would be partially off-set by profits from Carlsberg-Tetley during the brief period of ownership. It looks worth the risk.

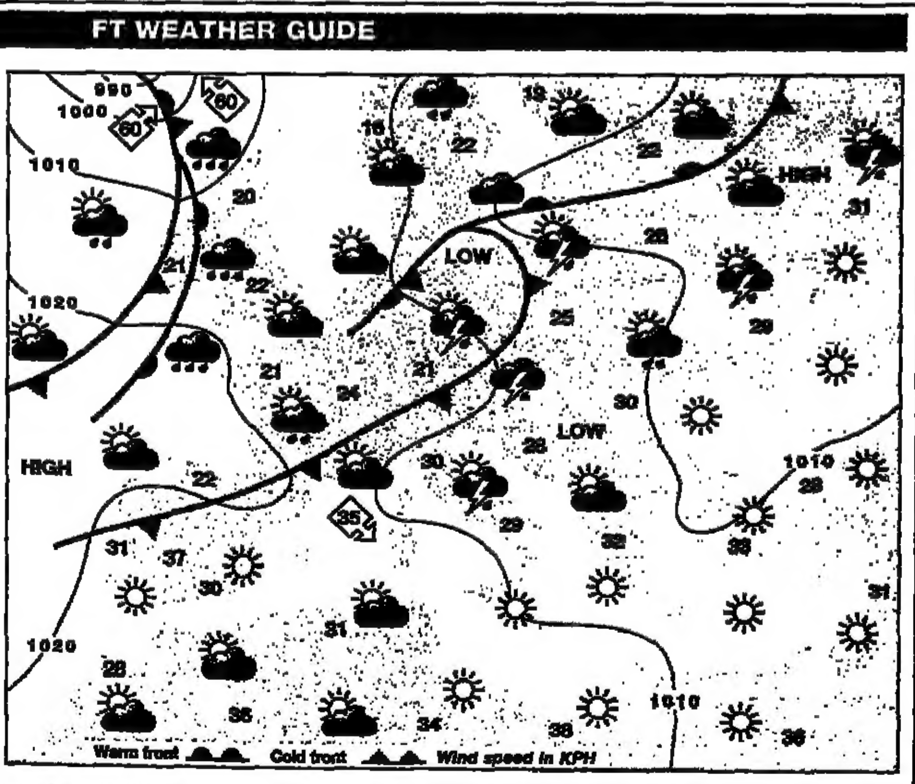
FT WEATHER GUIDE

Europe today

High pressure will promote sunny periods over the British isles but a frontal system will bring cloud and rain or drizzle from the north-west during the day. Southern Scandinavia will be mainly fair but there will be cloud and occasional rain over Denmark and southern Sweden. A cold front moving east across central Europe will trigger numerous thunder showers from Germany and the Alps towards Poland and Austria. The Benelux, France and northern Spain will have showers during the morning. Thunder showers will also form in the unstable air mass over Belarus and Ukraine as well as in northern parts of the Balkans and Italy. Southern Europe will be sunny and very warm with temperatures reaching over 35C.

Five-day forecast

Rain and thunder storms will accompany a frontal system as it moves east to Russia and the Balkans. The front will weaken from Friday. A new front will move across the British isles bringing cloud and rain to western Europe during the next couple of days. It will become more active on Friday as it meets warm air over eastern Europe, producing a band of thunder showers from the Baltic states through northern Spain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius						
			Beijing	fair	31	Caracas	cloudy	29
			Belfast	drzzl	18	Cardiff	sun	22
Abu Dhabi	sun	45	Belgrade	shower	33	Casablanca	fair	28
Accra	fair	30	Berlin	thund	22	Chicago	shower	24
Algiers	fair	30	Bermuda	fair	29	Cologne	shower	22
Amsterdam	fair	20	Bogota	fair	20	Dakar	fair	35
Athens	sun	32	Bombay	rain	31	Dallas	fair	35
Atlanta	shower	27	Brussels	shower	22	Delhi	fair	34
B. Aires	fair	20	Budapest	thund	28	Dubai	fair	41
B.ham	fair	22	C.hagen	shower	20	Dublin	fair	22
Bangkok	rain	30	Cairo	sun	34	Dubrovnik	sun	28
Barcelona	fair	28	Cape Town	fair	13	Edinburgh	fair	22

Faro	sun	30	Madrid	sun	34	Rangoon	fair	29
Frankfurt	thund	24	Majorca	sun	30	Reykjavik	rain	14
Geneva	shower	24	Malta	sun	34	Rio	fair	23
Gibraltar	sun	30	Manchester	fair	21	Rome	fair	31
Glasgow	fair	21	Manila	shower	35	S. Frsco	sun	23
Hamburg	shower	21	Melbourne	rain	13	Seoul	cloudy	33
Helsinki	fair	18	Mexico City	fair	24	Singapore	fair	32
Hong Kong	rain	30	Miami	fair	33	Stockholm	fair	22
Honolulu	fair	32	Milan	shower	28	Strasbourg	shower	23
Istanbul	sun	30	Montreal	fair	28	Sydney	fair	15
Jakarta	fair	32	Moscow	fair	22	Tangier	sun	31
Jersey	fair	21	Munich	thund	21	Tel Aviv	sun	35
Karachi	fair	31	Nairobi	fair	26	Tokyo	fair	30
Kuwait	fair	46	Naples	fair	29	Toronto	rain	22
L. Angeles	fair	25	Nassau	shower	32	Vancouver	fair	22
Las Palmas	sun	29	New York	shower	22	Venice	thund	27
Lima	cloudy	18	Nice	fair	28	Vienna	thund	24
Lisbon	sun	31	Nicosia	sun	37	Warsaw	shower	24
London	fair	24	Oslo	fair	22	Washington	fair	29
Lux.bourg	fair	22	Paris	fair	23	Wellington	fair	10
Lyon	fair	25	Perth	shower	18	Winnipeg	fair	25
Madeira	fair	25	Prague	thund	22	Zurich	thund	21